

FINANCIAL TIMES

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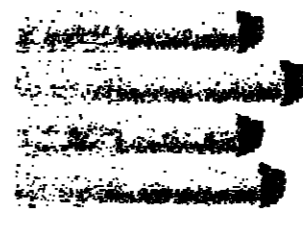
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World Business Newspaper

THURSDAY MAY 9 1996

German MPs to debate shop hours reform

The fate of German shop opening hours could be resolved today when the Bundestag, the country's lower house, finally considers liberalisation. Pressure for reform the the rigid rules has been growing for years and leading economics institute Ifo has said it could create up to 50,000 jobs at a time of record unemployment. Page 3

Ticket scandal hits UK football organisers
A ticket scandal has rocked Britain's Football Association only weeks before it is due to launch the UK's biggest sporting event for 30 years. FA commercial director Trevor Phillips (left) has quit and police are probing the sale of tickets for the European Championship. The investigation confirmed. The investigation is said to focus on corporate hospitality tickets rather than tickets for sale to the public. Page 16

Trial of ex-Nazi opens The trial of 82-year-old former Nazi SS captain Erich Priebke on war crimes charges began in a Rome military court. Extradited to Italy from Argentina last year, Priebke is accused of helping the massacre of 335 Italians in caves outside Rome in 1944. Page 2

EU seeks tougher controls Britain has been told to tighten controls on gelatin and tallow production as a condition of getting the European Union to start lifting its ban on beef products. Page 12

Boost for Ericsson Swedish telecoms group Ericsson boosted first-quarter profits by 28 per cent to Skr1.56bn (\$277m), thanks mainly to a 36 per cent jump in turnover by its mobile products division. Page 17

Protesters fight police German anti-nuclear protesters fought police in the northern town of Danneberg in a last-ditch attempt to prevent a nuclear waste shipment reaching a depot in northern Germany. Several demonstrators and police were seriously injured. Page 3

Newscorp shares fell almost 3 per cent after Rupert Murdoch's media and entertainment group reported a sharp drop in third-quarter after-tax profits from \$855m (US\$200m) a year earlier to \$877m, due mainly to a \$204m abnormal item. Page 23

Profits fall at UK supermarket British supermarket group J. Sainsbury announced its first drop in underlying profits in its 22 years as a public company. Pre-tax, pre-exceptional profits fell from \$308m to \$274m in the year to March 9. Page 17

Slovak privatisation shelved Slovak prime minister Vladimir Meciar postponed the privatisation of the country's main banks indefinitely. Page 2

Vietnam contracts on hold Four telecoms contracts totalling some \$1.4bn appear stalled because of Vietnamese worries about letting foreigners into the sector and a shift in the country's revenue forecasts. Page 6

Israel and UN at loggerheads Israel clashed with the United Nations over a UN report that questioned whether Israel's bombardment of a UN base in Lebanon last month was an accident. More than 100 civilians were killed. Page 4

Hashimoto in call to banks Japanese banks should bear more of the costs of liquidating the country's bankrupt housing loan companies, prime minister Ryutaro Hashimoto said. His call signalled that the government may change its plan to spend public money on the liquidation. Page 4

Swissair monopoly may get Switzerland wants to end its national carrier's monopoly in domestic air traffic following Swissair's decision to concentrate international flights on Zurich. Page 2

UK van maker seeks partner British vanmaker LDV is looking for a development partner, possibly in Asia. LDV has risen from the ashes of the former Leyland Daf group. Page 12

America Online, the US consumer online information company, is to launch a joint venture in Japan with trading company Mitsu and Nihon Keizai Shimbun (Nikkei), publisher of the leading Japanese business newspaper. AOL's third quarter revenues leapt 186 per cent to \$312.3m. Page 17

Clinton challenge President Bill Clinton challenged the Republican majority in the US Congress to pass the necessary legislation without "poison pills" that would ensure his veto. Page 11

STOCK MARKET INDICES	
New York	1,282.82 (+1.25)
Dow Jones Ind Av	5,281.57 (+39.28)
NASDAQ Composite	1,168.28 (+14.25)
Europe and Far East	
DAX	2,083.74 (+6.89)
DAX	2,072.84 (+6.89)
FT-SE 100	3,087.3 (+23.5)
Nikkei	21,728.6 (+23.5)

US LUNCHTIME RATES	
Federal Funds	5.25%
3-mth Treasury Bill	5.114%
Long Bond	87.1
Yield	7.83%

OTHER RATES	
UK 3-mth interbank	6.25% (6.25)
UK 10 yr Gilt	9.25 (9.25)
France 10 yr OAT	9.25 (100.825)
Germany 10 yr BfT	9.11 (87.5)
Japan: 10 yr JGB	87.88 (87.127)

NORTH SEA OIL (Average)	
Brent Dated	\$19.81 (20.03)

De Klerk angry over new constitution ■ Sharp divisions with ANC

Rand falls amid fears of disunity in S Africa

By Roger Matthews in Cape Town
Celebrations to mark the adoption of a new constitution by South Africa were marred yesterday by a further sharp fall in the value of the rand and fears that the government of national unity could soon fall apart.
The rand, which opened in Johannesburg at R4.95 to the dollar, later fell to a new low of R4.48, while industrial shares closed at a five-month low.
Mr F.W. de Klerk, leader of the National party, told the constitutional assembly his organisation would next week review its position as a junior partner in the government because of dissatisfaction with some clauses in the constitution.
The assembly's vote came two years after elections which ended the country's apartheid regime and brought President Nelson Mandela and the African National Congress to power.
The National party voted for the new constitution, which passed by 421 votes to two, with 10 abstentions. But Mr de Klerk, who is also deputy president, expressed reservations about several clauses and complained that the ANC had used its majority to dominate the negotiating process.
"This new constitution rings the death knell of multiparty participation in decision-making at the executive level," he said.
His remarks reflect the sharp divisions within his party over compromises struck with the ANC during hectic last minute negotiations. There was particular concern over the clause which says no provision in the section on property rights "may impede the state from taking legislative and other measures to achieve land reform or equitable access to natural resources".
"This follows a clause allowing individuals or communities to seek restitution for property seized under 'past racially discriminatory laws or practices', which has raised the strongest fears among the farming community, an important part of the National party's support base.
The ANC refused, however, to accept any wording which would have legitimised land seizures



Nelson Mandela (left) with F.W. de Klerk (centre) and Constitutional Assembly chairman Cyril Ramaphosa after South Africa's new constitution was approved in Cape Town.

and other actions committed during the apartheid era.
Foreign and local investors were unsettled by the disputes. The overall stock index ended 80.5 points weaker at 6,795.6, while the industrial index slipped 203.8 points to 7,939.8. Gold shares were a safe haven for investors, with the sector adding 2.5 per cent and rising to a 17-month high.
The problems of the rand were highlighted by an announcement last night from the Reserve Bank that gold and foreign exchange reserves fell last month by R2.3bn to R11.7bn, mainly as a result of efforts to calm the currency markets.
The fall makes it even less likely that the Reserve Bank could recommend any easing of foreign exchange controls, the removal of which have prompted much of the speculation against the rand.
The National party was also divided over the compromise struck on education. Most mem-

US groups team up to develop new jumbo engine

By Michael Cassell and Michael Skapinker in London
General Electric and Pratt & Whitney of the US are to collaborate for the first time to develop an engine for the new generation of Boeing "super-jumbo" aircraft due to enter service early in the next century.
After six weeks of talks, the two aero-engine manufacturers announced yesterday they would develop and market the engine for new versions of the Boeing 747 through a 50-50 joint venture company.
They said the project, likely to cost up to \$1.5bn, had been discussed with Boeing, which had urged them to explore a joint programme.
The decision is a potential blow to Rolls-Royce of the UK, which has been mentioned frequently as a potential merger partner for Pratt & Whitney.
However, Rolls-Royce last night said, it hoped to offer one of the existing Trent family of engines - or a variant - to power both the proposed 747-500, an extended range version of the 747-400, and the 747-600, a stretched version carrying up to 540 passengers.
GE said talks on the location and the precise workings of the new company would take place over the next few months.
The companies are defining the engine's technical specifications and the structure of the joint venture. Management for the venture will be held solely by the two partners, although they said additional revenue-sharing participants would be considered for the programme.
They confirmed the previously stated intention to have the engines on sale by 2000.
Boeing has said it wants to begin work on new versions of the 747 by the end of the year.
The partners claimed the engines would offer Boeing and the airline industry "the best engine in a timely fashion and at a significantly lower cost".
GE and Pratt & Whitney have both complained about the cost of developing engines and have said it would be preferable for

Brussels seeks more power to combat fraud

By Bruce Clark in Brussels
Criminal gangs operating across national borders of large-scale swindlers, some 10 per cent of the cases accounted for half the money lost.
Ms Gradin said the agricultural budget, which accounted for about half the fraud cases, was being cheated by "criminal gangs" which also specialised in the drugs trade and money-laundering. "We are struck by the fact that there is more and more organised crime," she said, adding that many crime syndicates straddled national borders and could not be countered by individual nations acting alone.
Ms Gradin said most of the responsibility for fighting fraud should be a core function in which all European Union institutions were involved. She said the issue of fraud was bound up with that of maintaining the internal market, which was part of the core institutions' job.
Most co-operation in the fight against crime takes place under the poorly functioning "third pillar" which brings together the interior and justice ministries of the EU's 15 members.
The 1995 report showed a decline in the value of newly detected fraud cases in the farm sector - to Ecu316m, compared with Ecu489m in 1994 - and said this partly reflected reforms in the Common Agricultural Policy. Because of these reforms, expenditure on export refunds for cere-

European job agencies plan merger to rival world leader

By David Buchanan in Paris
Two European employment agencies - Ecco of France and Adia of Switzerland - plan to merge, forming a group with sales of about FF932m (\$96m) a year which will challenge the US company Manpower for world leadership of the sector.
Under the deal announced yesterday, Adia will absorb Ecco by offering 1.028 shares for each Ecco share, with a limited cash alternative. The company will be Swiss, but will be renamed and quoted on the Paris, Zurich and New York stock exchanges.
The move comes as demand for temporary staff, particularly in accounting, computing and engineering, is growing fast as companies seek to expand or restructure without increasing permanent overheads.
The merger will put the group level with Manpower, the current leader with 8 per cent of the world market in personnel services if Manpower's franchisees are taken into account.
There is no agreement yet on the name, except it should reflect the two existing brand names.
Adia, with turnover of SF3.66bn (\$2.94bn), is smaller than Ecco which had sales of FF20.5bn (\$3.97bn) last year but the Swiss structure has been chosen for the new group. Adia is listed on most exchanges than Ecco, its share price has recently performed better, and its public shareholders were felt to be more sensitive over a foreign takeover than Ecco's.
The chairman of the two companies will alternate as president. Mr Philippe Foriel-Destezet of Ecco will hold the job for the first year, followed by Mr Klaus Jacobs of Adia. Mr Foriel-Destezet and Mr Jacobs control, respectively, 46 and 68 per cent of their companies and have pledged to remain long-term shareholders of the group.
The new company will have combined revenues of about FF32bn after Ecco sells its small security and cleaning business to Mr Foriel-Destezet.
The two companies see potential growth from gradual labour deregulation in leading economies such as Germany and Japan, where temporary employment has been costly or difficult.

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Italian party leaders end short truce

By Robert Graham in Rome

The rightwing alliance defeated in last month's general elections last night closed the door on a deal to share out some of the main institutional jobs in Italy with the winning centre-left alliance.

The decision followed two days of intense negotiations in advance of the formal opening today of Italy's 13th post-war parliament. The main post affected is that of speaker of the senate, offered to the rightwing alliance headed by former prime minister Silvio Berlusconi.

Falling last-minute negotiations to patch up a compromise, the conflict between the two alliances threatens to cast a cloud over the stability of a new legislature where the government will have a narrow majority.

It also makes it unlikely the opposition will be willing to back the harsh budgetary proposals necessary to bring Italy's public finances into line with the criteria of the Maastricht treaty.

In the wake of the April 21 elections, Mr Berlusconi and his colleagues indicated their willingness to establish a harmonious relationship with the governing Olive Tree coalition. But Mr Berlusconi came under attack from hardliners in his Forza Italia movement and from the rightwing National Alliance (AN), who argued they must behave as a tough opposition and cut no deals.

As a result Mr Berlusconi proposed over the weekend that Mr Francesco Cossiga, the former head of state, life senator and one-time senate leader be their candidate for senate speaker. Mr Cossiga is regarded with suspicion by the left for his controversial role as a former interior minister and while head of state. Thus Mr Cossiga's candidature put the Olive Tree on the spot and after very little discussion he was declared unacceptable.

But in rejecting Mr Cossiga, the centre-left placed themselves in the position of being seen to dictate the terms.

the centre-left placed themselves in the position of being seen to dictate the terms.

It also allowed the right, in the name of fair play, to voice their objections to the Olive Tree's candidate for speaker of the lower house - Mr Luciano Violante, a former magistrate linked to the Communist party, ex-head of the anti-mafia commission and deputy speaker in the last parliament.

Mr Violante, they claimed, was too political a figure, and indeed had been one of the principal persecutors of Mr Cossiga when head of state.

To get round these objections, the Olive Tree suggested that Mr Carlo Scognamiglio, appointed as senate speaker in 1994 by Mr Berlusconi and his allies, retain the job. But having publicly backed Mr Cossiga, last night Mr Berlusconi seemed unwilling to back down. This leaves the centre-left with little option but to go ahead with their own appointments.

Anti-mafia investigators in Sicily yesterday froze \$640m of assets, including 130 two-family homes and 50 apartments, in a crackdown on suspected laundered drug wealth. AP reports from Palermo.

Other assets frozen included 12 offices, eight warehouses, land and 27 bankbooks, whose deposits were not immediately disclosed. Three people were arrested.

The Italian news agency Ansa said prosecutors suspected the wealth was acquired with laundered profits from drug trafficking and other illegal activities of the Cosa Nostra.

The agency said the authorities had been put on the trail of the alleged laundered money while investigating threats made against a prison chaplain in Terminal Imerese, a Palermo suburb. The chaplain had wanted to establish a rehabilitation community for drug addicts in a residential area whose construction was allegedly linked to the Mafia.



German police get ready to confront anti-nuclear protesters as a shipment of nuclear waste arrives at the Gorleben plant

CLASHES AT GERMAN NUCLEAR STORAGE PLANT

By Wolfgang Münchau in Frankfurt

A 40-tonne shipment of French-processed nuclear waste arrived at the Gorleben nuclear storage plant in northern Germany yesterday amid some of the most violent anti-nuclear demonstrations ever witnessed in Germany.

Flanked by 15,000 policemen and armoured cars, the shipment was brought to a standstill by a series of clashes that left several demonstrators and police seriously injured. Protesters threw ball bearings at police and fired flare pistols, while police used batons and water cannons. About 30 demonstrators were arrested.

The police lined country lanes near the medium-term storage depot in Gorleben, 75 miles east of Hanover, and used water

cannon, teargas and clubs against protesters as the shipment, which had arrive by rail from France, covered the last 18km of its journey by road.

Police said the scene at Gorleben resembled a "civil war", adding that the situation was on the brink of threatening the internal security of the country. Politicians from all political parties urged to condemn the violence.

The demonstrations surrounding the shipment have reopened old disputes about Germany's nuclear policies and about policing. The shipment is the first of around 110 taking nuclear waste and fuel back to German reactors over the next eight years.

Senior members of the ruling coalition calling for a clampdown on violent demonstrations and accused the

opposition Greens, a long-standing opponent of the government's nuclear policies, of supporting the violence and poisoning the political climate.

Ms Angela Merkel, the environment minister, said there was "no alternative" to the shipment, since Germany was bound to it by international law.

Mr Guido Westerwelle, general secretary of the Free Democrats, the junior coalition partner, said that police should take a tougher line against demonstrators. "Germany is not governed by the law of the jungle," he said.

The Greens condemned the transport as a "provocation" and described police action as "brutally excessive". Both the opposition Social Democrats and the Greens called for an end to the shipments and a phasing-out of nuclear power.

Turkish MPs set to embarrass ex-PM with new corruption claim

Çiller faces second probe

By John Barham in Ankara

Turkish MPs are expected to vote overwhelmingly today to set up a second parliamentary committee to investigate corruption allegations against Mrs Tansu Çiller, the former prime minister.

But MPs from her True Path party and the rival conservative Motherland party say the vote will not necessarily lead to the collapse of their fractious two-month-old coalition government, even though many Motherland MPs are again expected to vote against Mrs Çiller.

Mr Sedat Aloglu, a True Path MP, said Motherland MPs were playing "a dirty political game" to unseat Mrs Çiller to enable their leader, Mr Mesut Yilmaz, to take control of the centre right, currently divided between the two parties.

Mr Korkut Ozal, a senior Motherland MP, said: "I do not think there will be a government crisis soon. The Çiller issue will be accepted by about 300-350 votes, but her people will not resign from the government. They will make the calculation and conclude that it is better to continue."

True Path members agree, because Mrs Çiller is to take over as prime minister in January.

They also fear Motherland could form a coalition with the Islamist opposition Refah party

or call early elections. Refah, which narrowly failed to clinch a coalition agreement with Motherland following last December's elections, is tabling a series of investigations hoping their findings will bring down the government.

Today's vote calls for a committee to investigate claims that Mrs Çiller illegally interfered in the privatisation of Tofas, a car maker.

Two weeks ago, MPs - including 29 Motherland members - voted 232-179 in favour of a Refah motion to form a committee to investigate accusations that Mrs Çiller intervened in tenders by the state-owned power company Tedas.

If parliament approves, a special committee will have up to four months to investigate Refah's claims.

Parliament would then vote on whether the committee's findings merited sending Mrs Çiller for trial before the high court. If it does, she could be prevented from taking over as prime minister in January, as required by True Path's power-sharing agreement with Motherland.

Commentators complain that strife in Ankara is preventing urgent action to tackle Turkey's deteriorating economy, with inflation running at 80 per cent a year and interest payments on the ballooning domestic debt taking up half the budget.

German MPs to debate shop hours reform

By Michael Lindemann in Bonn

Germany's lower house of parliament, the Bundestag, will today finally consider liberalising the country's shop opening hours, which have become a byword for the rigidities of Europe's largest economy.

Pressure for reform of shopping hours has been growing for years, and the current breakthrough is a symbol of the decline of post-war consensus politics in Germany where everything

has been done in agreement with the trade unions.

It may also be symbolic of Chancellor Helmut Kohl's determination to force through more deregulation at a time when he faces almost unprecedented protests from a number of social lobbies.

The Ifo economics institute has said reform could create up to 50,000 jobs at a time of record unemployment. Nevertheless, Mr Kohl has had to impose his will on the majority of his

party to get the law this far.

The government unveiled proposals last November, but delayed bringing them to parliament for fear of their impact on Mr Kohl's Christian Democrats in the March state elections.

The Bundestag will today give a first reading to the legislation, which is expected to be passed before the summer recess in July.

The majority of the opposition Social Democrats, backed by the trade unions, oppose any liberalisation of

shopping hours, arguing that many of corner shops will be unable to afford the extra staff needed to stay open longer. They believe any jobs created will be part-time and will not come with the full social benefits which the unions are fighting to maintain.

Recent polls indicate most Germans want to be able to shop longer and supermarkets insist that extended hours are needed to boost trade.

Leading politicians from the government last night appeared to have

agreed a compromise which would allow shops to remain open, as planned, until 8pm on weekdays. It would allow the federal states to close shops anytime between 2pm and 4pm on Saturdays, not 6pm as proposed.

Plans for deregulating mail delivery services were presented yesterday by Mr Wolfgang Boetsch, the post minister. Renter reports. They would abolish the century-old post monopoly at the end of 2002 by gradually introducing competition from 1998.

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NEWS: ASIA-PACIFIC

Investors ponder BJP's election lead

By Mark Nicholson in New Delhi

India's 49-hour election results... Congress appeared set to win no more than 150 seats.

justice Janata Dal was 18 seats ahead of its tally in 1991. Independents and regional parties were also showing gains.

closed 56 points up at 3,769. Brokers said the market rallied strongly from a 50-point dip on jitters caused by Tuesday's exit poll showing Congress heading for an historically poor performance.

some reservations, but these would likely be dispelled by a BJP in power. The BJP portrays itself as India's original party of free trade and liberalisation.

the BJP's religion-based appeal will deter the main secular parties and leave it short of a majority. A coalition embracing Congress, Janata Dal, ex-Congress factions and India's communists is deemed likelier.

not dominate any resulting coalition, and may win political partners only at the price of shedding Mr FV Narasimha Rao, prime minister - and, perhaps, Mr Manmohan Singh, his internationally admired finance minister.

ASIA-PACIFIC NEWS DIGEST

Nissan recalls over 1m cars

Nissan Motor is to recall more than 1m cars to fix potentially dangerous defects, in an embarrassing loss of face for Japan's number two automotive group.

HK acts on radio programmes

Hong Kong plans to scrap "unnecessary powers" to prohibit radio programmes as part of its review of broadcasting regulations, it said yesterday.

Australia casino bidding move

The Australian Senate yesterday launched an inquiry into the licences tendering process for the lucrative but controversial A\$1.3bn (US\$1,036bn) Melbourne casino.

Pakistani bus bomb kills six

A bomb yesterday ripped through a bus in the Pakistani industrial town of Sheikhupura, near Lahore, killing at least six people and wounding 40.

Japan's banks urged to act on loans scandal

By Gerard Baker in Tokyo

Mr Ryutaro Hashimoto, the Japanese prime minister, yesterday called on Japan's banks to shoulder a greater burden of the costs of liquidating the country's bankrupt housing loan companies.

Y6,300bn of total costs to be borne by the government in the liquidation and raise the burden on the founding banks.

A cull of profits and presidents

Solemn rituals are under way in the boardrooms of Japan's leading banks. Like most rituals, the significance lies more in symbolism than substance.



Yasuo Matsushita, now BOJ governor, presided over his commercial bank's part in the 'bubble economy'

the 1970s and are now virtually insolvent, with over two-thirds of their total lending of Y13,000bn officially acknowledged to be non-performing.

Ex-commercial bankers can resurface in some embarrassingly elevated places in Japan. Sakura Bank, for instance, one of the six largest commercial banks, is one plagued by bad loans.

Mr Hashimoto said he hoped the companies would make decisions on the issue "on their own, taking account of the Diet (parliamentary) discussions".

Investors and industry analysts have applauded the aggressive write-offs, but the agency believes credit risks of some banks remain, due to uncertainty over the future course of core profitability.

to end-March. Between them the 21 leading banks are expected to report pre-tax losses of Y3,340bn (\$31.5bn) after bad loan write-offs of Y2,500bn.

Most of the departing bosses might have survived even had it not been for political pressure. For some months loud demands have come from public and politicians for bankers to start paying the price of the bad loan fiasco.

By concentrating on the present heads of government, those to be held responsible for the banking failures of the last few years, the bureaucrats and banks themselves have nabbed only half the culprits.

Small wonder that at least one of the bank presidents forced out in the last month has been overheard muttering about the need for financial justice for all.

Gerard Baker

NEWS: INTERNATIONAL

Israel blasts 'absurd' UN report on Qana

By Julian Ozarine in Jerusalem

Israel yesterday blasted a United Nations report which questioned whether Israel's bombardment of a UN base in Lebanon last month, killing more than 100 civilians, was an accident.

had taken shelter at the UN base from Israel's intensive bombardment of Lebanese villages.

In Washington Mr Ehud Barak, Israeli foreign minister, who reportedly exchanged tense words with Mr Boutros Boutros Ghali, UN secretary general, said the UN conclusions were "absurd".

Mr Dromi suggested the UN was covering for pro-Iranian guerrillas in Lebanon who had fired Katyusha rockets from a position close to the UN base.

Mr Barak's comments came after a senior UN military officer who wrote the report on the April 19 shelling of the UN base at Qana said it was unlikely Israel bombed the base through technical or procedural errors.

"Unfortunately, the UN chose to ignore that, maybe because the UN has tough questions to answer about how come... those Hizbollah terrorists felt so at home in the compound of the UN," he said.

Nigerian clean-up offered by Shell

By David Lascelles in London and Paul Adams in Lagos

Shell Nigeria has offered to clean up all oil spills in Ogoni land and re-start local development projects in the troubled Ogoni territory as a first step toward an agreement with local leaders which would allow its staff to return safely to the region.

by sections of the Ogoni movement, Mosop, which accused Shell of polluting the environment.

Shell, the largest foreign oil company in Nigeria, closed its operations in Ogoni three years ago after threats to its staff and sabotage of facilities

Mr Brian Anderson, Shell Nigeria's managing director, said yesterday: "These proposals are offered in the spirit of reconciliation. All we need to start the process is the assurance of all Ogoni communities that our staff can work safely in Ogoni land."

This is Shell's most recent public bid to end the deadlock with the Ogoni community.

The 'Mecca of constitutions' leaves markets without faith, writes Roger Matthews Rands and sentiment in the new S Africa

It was almost obligatory to be an African in South Africa yesterday. The cause was the adoption of a new constitution, achieved after two years of negotiations which concluded only hours before the final vote.

After that, everyone was an African, even if they were not very happy about the constitution they were about to adopt. "I am also an African," said Mr F de Klerk, deputy president and leader of the National party, "and part of a modern, developed country that can compare with the best in the world."

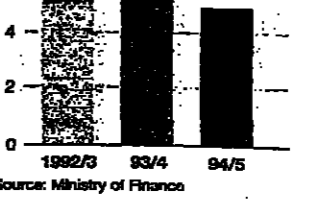
General Constand Viljoen, former army commander and leader of the rightwing Freedom Front, said that, despite being an African, and seeing many positive aspects in the constitution, his party would abstain because there was too little protection for minority rights.

into the early hours of yesterday. But, as Mr Cyril Ramaphosa, the chairman of the constitutional assembly said, it was "an immense achievement".

Memories of dictators cast shadow over Uganda poll

Fear of a bloody past holds key to electoral success, writes Michela Wrong

Mr David Mukasa knows what it means to live in fear. Under former dictators Idi Amin and Milton Obote, his wife was beheaded by marauding soldiers, his estates destroyed and he was repeatedly tortured.



Source: Ministry of Finance

In what many Ugandans regard as a cheap tactic, the president's team has sought to bolster its arguments against multi-partyism and undermine an alliance between Mr Ssemogerere's Democratic Party (DP) and the Uganda People's Congress (UPC) by suggesting it would not only bring Mr Obote, the UPC leader, back but appoint him "political commissar" in a new government.

question mark hangs over whether the army's western leadership would accept the results. A new era of uncertainty in Uganda, the linchpin in a region shaken by violence in Rwanda, Burundi and Zaire, would threaten the whole of East Africa. Foreign investment has already gone on hold during the election months.

the opposition a stronger role in the running of the country and the democratic process now looks unstoppable with true multi-partyism inevitable. Should Mr Museveni, who insists his "movement" system has another 15 years of life, apply the brakes, he will find foreign funds trying up.

Few believe this scenario will unfold. Although the protest vote has been growing and the 85 per cent walkover expected, a 60 per cent Museveni win. Parliamentary polls due in June are expected to give

"Museveni will eventually have to make a decision on multi-partyism or donor support will gradually erode," says Mr Michael Southwick, US ambassador. "With that will go confidence and you don't get investment without confidence. They have to get on board."

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These days, dozens of new employees from Asia are crossing the threshold at Swiss Re in Zurich.

They're with us to learn just what we do that separates us from our competitors, and why we've become one of the world leaders in our field. They then pack their share of our experience, know-how and resources and head back home.

And when they return, they set about turning our "Asia 2000" strategy into reality, *thinking global, acting local*. While everyone is talking about the Asian boom and the tiger economies,

we've long been out there in the field earning our stripes.

We used to have just four offices in the region. Today, it's ten and counting (Beijing has recently opened for business). Soon, there will be fourteen – as far as we know, no other reinsurer has that kind of presence.

Our goal is clear: double Asia's share in our business over the next few years.

If you're interested in Swiss Re, we'd be pleased to send you more details: fax +41 1 285 40 98.

Swiss Re



WORLD TRADE NEWS DIGEST

Shell protests at Manila gas plan

By Edward Luce in Manila

Shell Philippines Exploration, joint controller of the Philippines' largest natural gas field, yesterday protested to the Manila government over plans to allow power producers to import liquefied natural gas.

The Anglo-Dutch company, which is in partnership with Occidental Philippines (Oxy) of the US to exploit the 12,000 cubic metres Malampaya gas field off the Philippine coast, said Manila's decision undermined the country's drive towards self-reliance in energy.

The joint venture, which has agreed to supply LNG for 3,000MW of power a year over 30 years to the Philippine power sector, said the government had given power producers the green light to import LNG for 1,500MW a year.

"Importing LNG is not only inconsistent with the government's vision but will increase the Philippines' own dependence on fuel imports," said Mr Dre Boon, vice-president of Shell Exploration (world wide), yesterday.

"This will deprive the government of substantial revenues which would be generated from its share of indigenous gas reserves."

First Gas Holdings, a joint venture between British Gas and a local group which received permission to supply its 900MW plant in the Philippines with LNG imports, said protracted negotiations between the Shell-Oxy group and the government had pushed the Malampaya project back 12 months.

The Philippine government, which is weaning the local power sector off imported oil and coal on to indigenous power sources such as gas and geothermal energy, has said demand for gas will reach 4,500MW a year by 2002 - well in excess of Malampaya's capacity.

This is disputed by Shell and Oxy.

Vietnam puts telecom deals on hold

By Jeremy Grant in Hanoi

Four telecommunications contracts, amounting to about \$1.4bn, have fallen foul of Vietnam's revenue forecasts and hesitancy among policy-makers over allowing foreigners into the sector.

The delay in the contracts, which were expected to be awarded last month, have led to extreme frustration at the four companies involved. "It's very disconcerting having to manage your expectations beyond these new dates," said one official.

Telstra of Australia, Cable

and Wireless of Britain, NTT International of Japan and France Télécom have spent the last year negotiating with Vietnam Posts and Telecommunications (VNPT), the state telecommunications monopoly, for contracts to install and operate land lines in Hanoi and Ho Chi Minh City. Mr Nguyen Ngo Hong, director of VNPT's information centre, said it was unlikely any contracts would be awarded soon.

The work is part of ambitious plans by Hanoi to provide five phone lines per 100 people by 2000, compare with one line per 100 people now. It would be the first significant investment by foreigners in Vietnamese telecoms.

The contracts under discussion involved C&W and NTT International sharing installation of about 400,000 lines in the capital, with Telstra and France Télécom splitting the job of installing 800,000 lines in Ho Chi Minh City.

The four would then operate the networks in conjunction with VNPT, sharing call revenue roughly equally over about 15 years.

But the negotiations have been dogged by doubts among some Vietnamese policy-makers

about the wisdom of letting foreigners into a sector seen as important to national security. One direct result of this is that Hanoi does not allow foreign operators to sign equity joint ventures, insisting instead on a looser "business co-operation contract".

The companies say this formula is more risky to finance and have sought guarantees to compensate for any disruption to internal rates of return if revenue forecasts do not match actual revenue.

In particular, the foreign investors are thought to have rejected a business plan put forward by VNPT, which includes a revenue forecast based on current revenue per line, rather than on a sliding scale taking into account an increasing number of lines.

Officials at two of the four companies said some agreement was possible by the end of May but the issue could drag on beyond the Communist party congress, scheduled for the end of June.

Banana trade under scrutiny

The World Trade Organisation yesterday established an independent dispute panel to rule on the European Union's banana import regime. The five complainants - the US, Ecuador, Guatemala, Honduras and Mexico - say the US quota scheme unfairly discriminates against Latin American banana producers in favour of former colonies and overseas territories in Africa, the Caribbean and the Pacific.

Two panels set up under the WTO's predecessor body, Gatt, found against the EU on bananas but their rulings were ignored by Brussels. Under stronger WTO procedures this will not be possible. However, the EU last year won a waiver from the WTO for its preferential trading arrangements with ACP countries. A number of ACP countries asked yesterday to join the panel, arguing that guaranteed access to the European banana market was essential for their economic survival.

Yesterday Brussels also rejected a US call for a panel on the EU's ban on hormone-treated beef. The EU must accept a panel at the second request, expected when the dispute settlement body meets on May 20. Frances Williams, Geneva

Smokers on the midnight prowl in Bucharest

By Virginia Marsh, recently in Bucharest

New customs regulations to clamp down on smuggling are forcing Romanians, among Europe's heaviest smokers, to buy western cigarettes in the middle of the night.

In the last week, Marlboro and Kent, among the western brands with up to 30 per cent of the local market, have all but disappeared from the shops, during daytime at least.

This follows the arrests of several alleged ringleaders behind a huge cigarette, alcohol and coffee smuggling industry which the government says costs it billions of lei in lost revenues each year. Since May 1, the government has also required all cigarette packets to bear a stamp showing customs have been paid and is imposing fines of between 10m lei and 30m lei (\$3,300-\$9,900) on vendors who do not comply.

Tobacco is big business in Romania where an estimated 6m out of an adult population of 18m smoke.

Local brands are still produced by the state monopoly but have steadily lost market

share to western rivals.

One of the people police have arrested recently is accused of smuggling 5.7bn cigarettes, about a fifth of the annual market of some 30bn cigarettes.

Industry analysts say import duties of up to 300 per cent are so high they encourage tax evasion and that the government would raise more revenues if it lowered its charges.

However, the biggest complaint yesterday was from shopkeepers and smokers who said an apparent shortage of the new customs stamps - pink for local brands, green for imports - had kept western cigarettes off the market.

"It took me two days to find a packet of Marlboro", a 22-year-old student said. "I finally found some at 1am; the man in the shop said he only sold untaxed cigarettes at night time, when there were fewer policemen around, and that he had been unable to get hold of cigarettes with stamps.

The measures have already led to sharp rises in cigarette prices which were previously among the lowest in Europe.

China urged to outline stance on WTO entry

By Tony Walker in Beijing

Sir Leon Brittan, the European trade commissioner, yesterday urged China to be more forthcoming in talks on its entry to the World Trade Organisation.

Sir Leon, who ended a four-day visit to China yesterday, called on Beijing to outline candidly where it stood on such issues as market access, tariff cuts and quota removal. "They need to go further and put it on the table, then let's see how we get on," he said.

Sir Leon pressed this point with Premier Li Peng in a meeting during which he argued it was in China's interests to "show flexibility".

Sir Leon had also made it clear that if China could satisfy European terms for entry, it was most unlikely to face a veto from the US. "They are seriously worried about a general political veto by the US (but) I said put us to the test."

EU officials are anxious to prevent talks stalling completely. They fear this would make it difficult to restore momentum in early 1997 after the US presidential election.

Beijing and its negotiating partners have virtually ruled out concluding WTO negotiations this year because the US administration in an election



Li Peng: pressed for flexibility

widespread counterfeiting of information and entertainment products, but the European approach was "more subtle" than that of the US, which has threatened sanctions.

The EU and China signed a protocol on Tuesday to strengthen co-operation in defence of intellectual property rights.

● Premier Li Peng said Beijing was considering buying more Airbus aircraft following China's order for 33 Airbus jets last month, Sir Leon Brittan told reporters.

"He told me there may be more purchases to come," said Sir Leon, who added that Mr Li had not said the additional orders would be at the expense of Boeing.

● The American Chamber of Commerce in Hong Kong yesterday said it would fight for unconditional extension by the US of China's Most Favoured Nation (MFN) trading status, Reuter adds from Hong Kong.

"America's relationship with China has become too important in strategic and economic terms to be threatened each year by a law written 20 years ago (during) the Cold War," the chamber said.

Hong Kong governor Chris Patten has been lobbying Washington to renew MFN.

PolyGram is biggest music group

By Alice Rawsthorn

A strong position in the fast growing Asian music market has given PolyGram a clear lead over rival record companies to become the world's largest music group, according to new research.

PolyGram, a subsidiary of Philips, the Dutch consumer electronics company, commanded 17 per cent of the main international markets last year, research released today by Music & Copyright, a Financial Times newsletter, shows. This compares with 15.5 per cent for Sony Music, part of the Japanese electronics and entertainment group.

Company	Parent	Share (%)
PolyGram	Philips	17.0
Sony	Sony	15.5
Warner	Time Warner	15.0
EMI	EMI	14.1
BMG	Bertelsmann	11.1

Asia has become increasingly important to the \$40bn music industry in the 1990s as the level of growth in the region has outstripped that in North America and western Europe.

In Asia, consumers tend to prefer local stars, such as

Jacky Cheung in Hong Kong and Harlem Yu in Taiwan, proving multinational music groups need strong operations in the region. PolyGram has benefited from its businesses in Taiwan and South Korea, with 17 per cent and 9.9 per cent of sales respectively. In Japan, it commands a 13 per cent share.

Sony's international position has been strengthened by its market-leading Japanese operation, with a 17.6 per cent share. As a result, Sony has ousted Warner Music, the Time Warner subsidiary, from second place internationally. Warner, still number one in the \$12.1bn US market, has a global share of 15 per cent.

CONTRACTS & TENDERS

REPUBLIC OF COTE D'IVOIRE
PRIME MINISTER'S OFFICE
MINISTRY OF AGRICULTURE
PRIVATISATION COMMITTEE
PRIVATISATION OF
OIL PALM PLANTATIONS OF PALMINDUSTRIE

INTERNATIONAL CALL FOR TENDER

The Government of Côte d'Ivoire, as part of its privatisation policy, announces the launch of an International Call for Tender for the privatisation of 5 groups of oil palm plantations ("E.A.F") extending over a total of 55,956 ha and including 14 oil mills. Each EAI will be sold separately through the same tender.

The EAI have the following characteristics:

EAI of South-West: 11,331 ha of plantations and 3 oil mills
EAI of Center-West: 12,618 ha of plantations and 2 oil mills
EAI of Center: 9,630 ha of plantation and 2 oil mills
EAI of Center-East: 7,669 ha of plantation and 3 oil mills
EAI of South-East: 14,861 ha of plantations and 4 oil mills

Each EAI is privatised together with the necessary equipment and facilities for its operations.

Prospective investors are invited to withdraw information memoranda concerning the five EAI and a general information memorandum from Thursday May 2nd, 1996 at the following address:

COMITTEE OF PRIVATISATION
6, Boulevard de l'Indénié
01 BP 1141 ABIDJAN - PATEAU
Té1: (225) 22 22 31/22 22 32 Fax: (225) 22 22 35

The memoranda will be purchased for the respective amount of F.CFA 250.000 for the general memorandum and F.CFA 150.000 for each EAI information memorandum (IFF = 100 F.CFA).

The deadline for submission of bids is Monday, July 8th, 1996 before 18.00 GMT at the address hereabove.

'Ms Stonewall' lines up for US

Nancy Dunne on the tough negotiator waiting to talk for America

The US Trade Representative's spacious office has been empty since Mr Mickey Kantor moved to the Commerce Department last month.

Ms Charlene Barshefsky, deputy and next in the line of succession, remains in her own smaller office while the billing records of her 18 years at a prominent Washington law firm are inspected.

A provision inserted in a lobby reform law last year by Republican Senator Robert Dole bars anyone who has represented a foreign government in a trade dispute from holding the job. Ms Barshefsky apparently once advised the Canadian embassy in a softwood lumber case, but whether this will disqualify her has yet to be determined.

"I don't expect to have a problem," she said in an interview.

In the meantime, Ms Barshefsky has added Mr Kantor's responsibilities to her own, taking on, among others, the high-risk negotiations with China.

Ms Barshefsky, who would be the first career trade lawyer to hold the job of Trade Representative, is not a woman plagued by self-doubt. She relishes matching wits with the most wily of opponents and seems to enjoy creating order and policy from the thicket of competing domestic and international interests.

Mr Jeff Garten, former Commerce Department undersecretary of trade who worked with Ms Barshefsky for two years, describes her as "an extremely good negotiator, a good listener who understands all the technical, political, domestic and foreign policy ramifications in a negotiation."

Mr Jack Valenti, president of the Motion Picture Association of America, who went to China with her recently, attests to a persistence in her style. "There is an integrity of purpose about her. Mickey Kantor is more of a political animal, but in the implacability of their objectives and the relentless way they pursue them, I think they are cut from the same DNA."

Indeed, she was unyielding last week when refusing to sign up to a global telecommunications pact negotiated under the World Trade Organisation in Geneva, saying there was not enough in it for the US.



Charlene Barshefsky: in the thick of it

As one former US trade official explained it, the US is trying to build a durable multilateral system, not "a series of half-baked reforms which sow the seeds for discrimination in the system."

Ms Barshefsky's response to the subsequent blast of criticism coming from other countries' negotiators, in particular the EU, was to demand that the EU immediately come forward with an improved proposal of its own.

Ms Barshefsky makes no apologies in acknowledging that US support for the Most Favoured Nation principle, a basic tenet of the world trade system that treats partners should be treated equally, must be tempered by domestic political reality. "What you see is a country that in policy terms has made the decision that trade agreements must be reciprocal in character," she said.

"That doesn't necessarily mean mathematical equity but it does mean rough justice. And to the extent that MFN is to be retained - and I think it should be

retained - then it is important that countries appreciate that the US expects to get value for what it gives.

"Ten or 20 years ago countries might have expected the US to give more than it got, but that is not the case any more."

Elections in the US this year have put a constraint on any US trade negotiations, particularly since trade has become deeply enmeshed in domestic party politics. "The opposition is laying in wait, hoping that the administration is being soft or inconsistent or giving something away," said one official. "It would be perfectly understandable for Charlene to tread carefully."

She is very conscious of antipathy to trade deals among US voters, but she believes in the importance of the global trading system to the future of US prosperity.

"We're a mature economy [and] our industries are the most productive in the world. [Without trade] where is that output going to go? ... But the public doesn't make those connections. That's the danger we have to be concerned about."

Ms Barshefsky's pragmatism is much in line with Mr Kantor's. He, however, has been roundly criticised for his insistence on tying labour rights to trade negotiations in the WTO, and this is blamed for his failure to win new negotiating authority for future trade deals.

"To the extent that the WTO refuses to look at the intersection of trade policy and core labour standards, you will see a cynicism develop among the public that these international institutions have aims antithetical to other important public policies," said Ms Barshefsky.

Ms Barshefsky's nomination presents a dilemma for Mr Dole, the presumptive Republican presidential candidate, who has been criticising President Bill Clinton for being weak on trade. It is Mr Dole's provision in the lobby law that could prevent appointment of trade representatives who do not require on-the-job training. And it is the same provision which could prevent the appointment of a negotiator so respected for her defence of US interests that she was nicknamed "Stonewall" by her colleagues.

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SIEMENS NIXDORF

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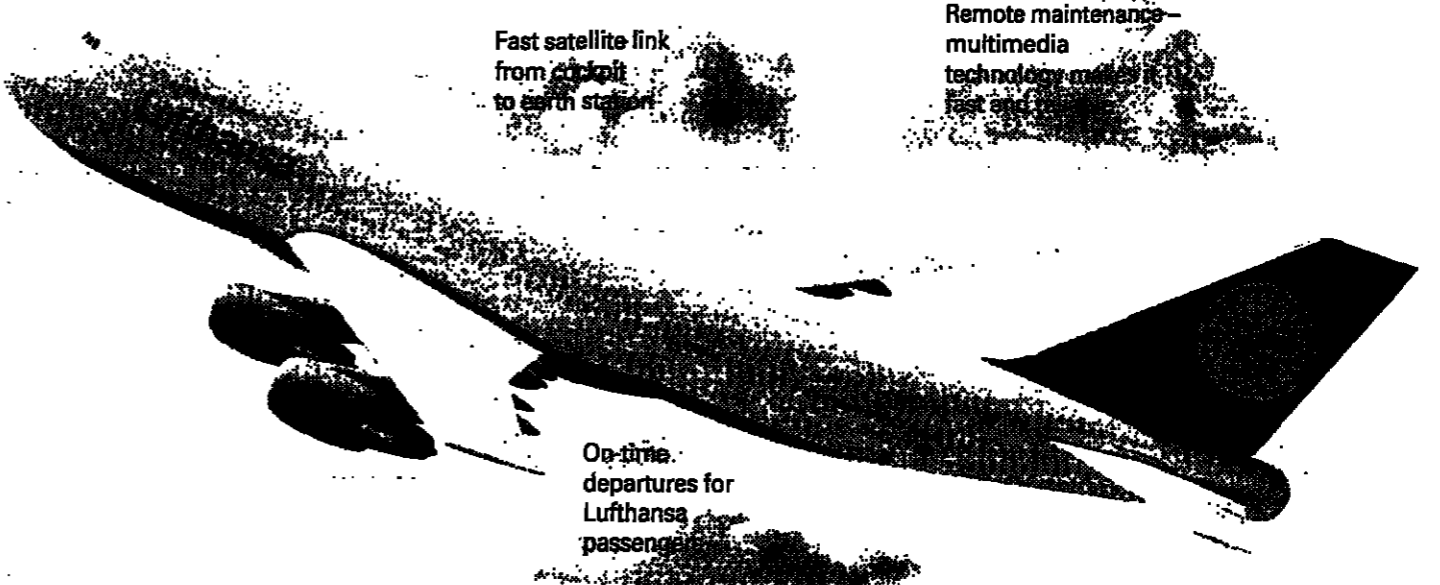
Multimedia SPECIAL



Zurich: Multimedia puts a song in the music business.

Switzerland's Musik Hug AG has launched a multimedia information concept it calls "Giga Music Browser." Musik Hug AG contracted with Siemens Nixdorf to provide complete management of the project: from initial consulting all the way through to support and final implementation, including a LAN network. Planning calls for networked multimedia stations to be used in Hug AG's retail outlets throughout Switzerland.

Founded in 1807, Hug AG, along with its subsidiaries Musica Nova AG and Musica Viva AG, is Switzerland's largest specialty retailer for musical instruments, sheet music, compact discs and accessories, generating annual sales of over Sfr 78 million. All of the objectives behind the idea for the information kiosk system - customer care, promotions, publicity and an innovative image - were able to be achieved with the implementation of this multimedia concept. The system is operated from a 17-inch touch-screen monitor. Designed with Hug AG's image in mind, the individual user interfaces reflect a combination of heritage and vision. All of the functions are highly intuitive and do not require any computer literacy on the part of the user.



Frankfurt: Lufthansa German Airlines takes off with multimedia remote diagnostics.

A multimedia maintenance system is changing the face of aircraft maintenance at Lufthansa German Airlines: BISAM - as the project is called - stands for Broadband Integrated Services for Aircraft Maintenance. Together with Lufthansa, the multimedia BISAM application is being tested by Sietec Systemtechnik and Lufthansa Systems under a contract from Deutsche Telekom's DeTeBerkom subsidiary in Berlin. This project is presently undergoing national field trials with 18 systems in various Lufthansa locations - initially shadowing conventional maintenance and repair operations. And international links to the United States and Japan are already on the drawing board. Sietec was responsible for the elements of systems integration and project customizing. BISAM enables downtimes and maintenance costs to be reduced. Which assures on-time takeoffs and landings, as well as a competitive advantage for Lufthansa that underscores its capabilities. Because even though aircraft are maintained to high standards of engineering, too little technological support is being provided for conventional maintenance procedures. With BISAM, squawks can be reported while still airborne - either via automated monitoring systems or by the crew. Automatically encoded, they are transmitted to the BISAM

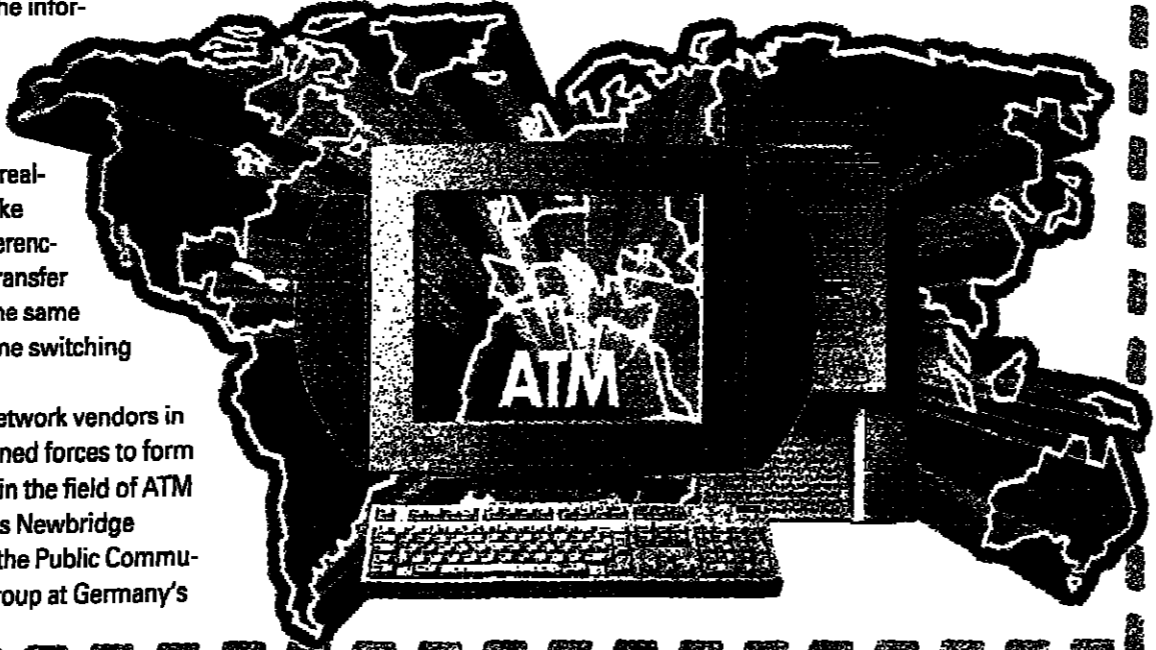
database by satellite. This allows the maintenance technicians at the destination airport to prepare for the job effectively, even before the aircraft lands, to obtain the required parts, and to request assistance from any specialists who may be needed. To make the job even easier, BISAM also supplies the correct repair strategy along with each squawk. Plus the latest data, since each operation is stored and analyzed. BISAM can even eliminate the need for on-site specialists: with the video conferencing module in BISAM, worldwide communications and conferences are possible from any work place. Multimedia remote diagnostics thus enable numerous squawks to be assessed and resolved in less time and at lower cost. Lufthansa's workstations also allow high-definition images of even hair-line cracks or minute corrosion to be sent directly to the expert's screen via Deutsche Telekom's high-speed ATM networks. A method that will considerably simplify aircraft maintenance in the future.

Newbridge, Siemens and Siemens Nixdorf - German-Canadian alliance for multimedia networks.

To keep up with the breathtaking pace of development in new communication options, there'll be no getting around ATM technology in the future. ATM stands for Asynchronous Transfer Mode. It's a high-speed wideband communication solution that's destined to serve as the platform for the information highways of the future. What's so revolutionary about ATM is that it allows both real-time applications, like voice and video conferencing, as well as data transfer to be handled over the same network with the same switching technology. Two of the leading network vendors in the industry have joined forces to form a long-term alliance in the field of ATM technology: Canada's Newbridge Networks Corp. and the Public Communication Networks Group at Germany's

Siemens AG, which will bring Siemens Nixdorf IT expertise to the alliance. Under this partnership, the world's most comprehensive product portfolio for wideband communication networks - ranging from access technology and switching systems all the way to complete wideband telecommunica-

tion networks - is now taking shape. Customers will benefit from this partnering agreement by being able to single-source consistent, all-encompassing solutions: corporate and public networks from Siemens together with Newbridge and multimedia end-user systems from Siemens Nixdorf.



SIEMENS NIXDORF

Upper Austria: The future belongs to the bank with more information capital.

A multimedia pilot project is ringing in a new information age in Austria. Since the summer of 1995, the Raiffeisen Bank branch office in the town of Ort has been equipped with the prototype of an information service terminal that is turning this bank into the town's communications hub. An objective that will soon be reality in all of Austria's Raiffeisen financial institutions.

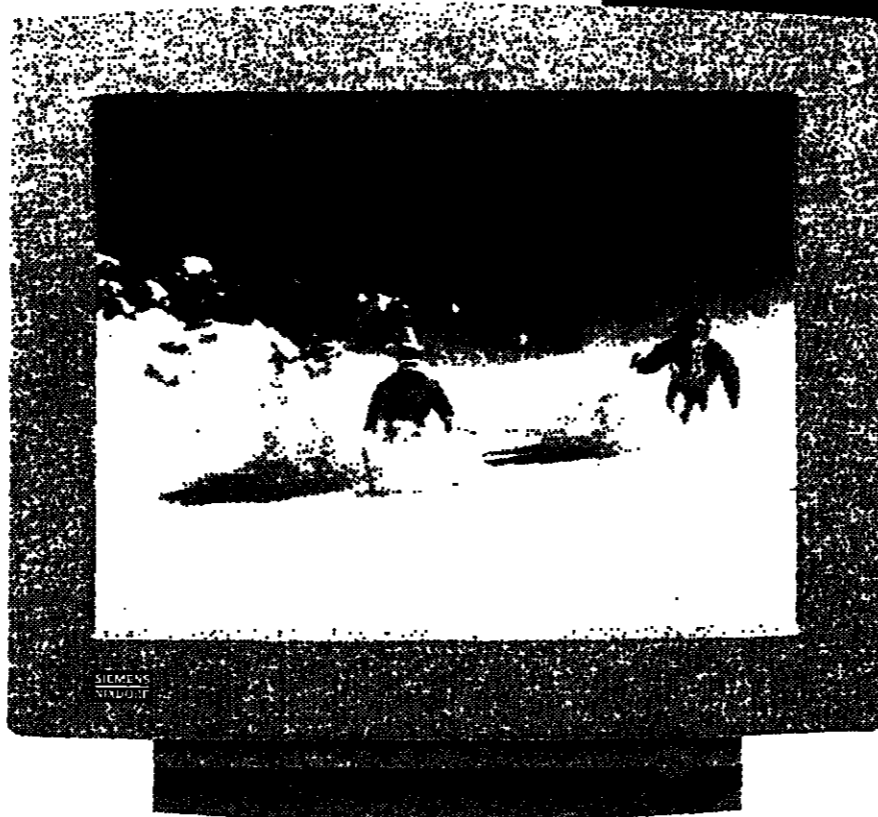
The electronic kiosk was developed jointly by Siemens Nixdorf Austria and systems house Programm- und Systementwicklung (PSE), a unit of Siemens Austria.

Thanks to its cutting-edge technology, operating the system is child's play. Touch one of the information points that are displayed on the screen and the wizardry of the "point of action terminal" serves up everything worth knowing: the local calendar of events, information about the town's groups and organizations, as well as current club happenings.

Or questions about local continuing education offerings, a look at current trainee vacancies or the labor service's job exchange. And, of course, the Ort Raiffeisen Bank provides audio and video information about its staff and its complete portfolio of products and services. If desired, the user can easily print out the information that has been presented on the screen. The service is offered free of charge and is available to every visitor to the bank, whether a customer or not.

In its concept and technology, the electronic kiosk is equipped for every need: CD-ROM drive, sound card, stereo speakers, 17-inch touchscreen and laser printer. And a microphone, camera or magnetic stripe card reader can also be attached.

Implemented by Siemens Nixdorf and Siemens AG, these information kiosks are paving the way for Austria's Raiffeisen banks to enter a multimedia future where the focus is on people.



Luxembourg: Gateway from Siemens Nixdorf opens Europe Online for the home banking world.

New and dependable channels are opening Europe Online for the world of home banking - with a gateway that comes from Siemens Nixdorf. Customers will soon be able to choose which network and which bank they would like to use for their home banking needs. Because all of the home banking solutions that formerly were restricted to the T-Online service can now be used via Europe Online. But there's much more to the story than that: with Europe Online, banks can design their home banking solutions to their own CI standards and incorporate the look and feel of WWW multimedia applications. And the interactive structure of the special Windows user interface makes the system especially easy to use.

The focal point of this new concept is the gateway from Siemens Nixdorf, which links the Europe Online system with the bank's

external server: an RM600 running OnServe software from Siemens Nixdorf. With the gateway from Siemens Nixdorf, this Luxembourg service provider now opens the gates to a multimedia future for home banking.



Barcelona: Classrooms go multimedia.

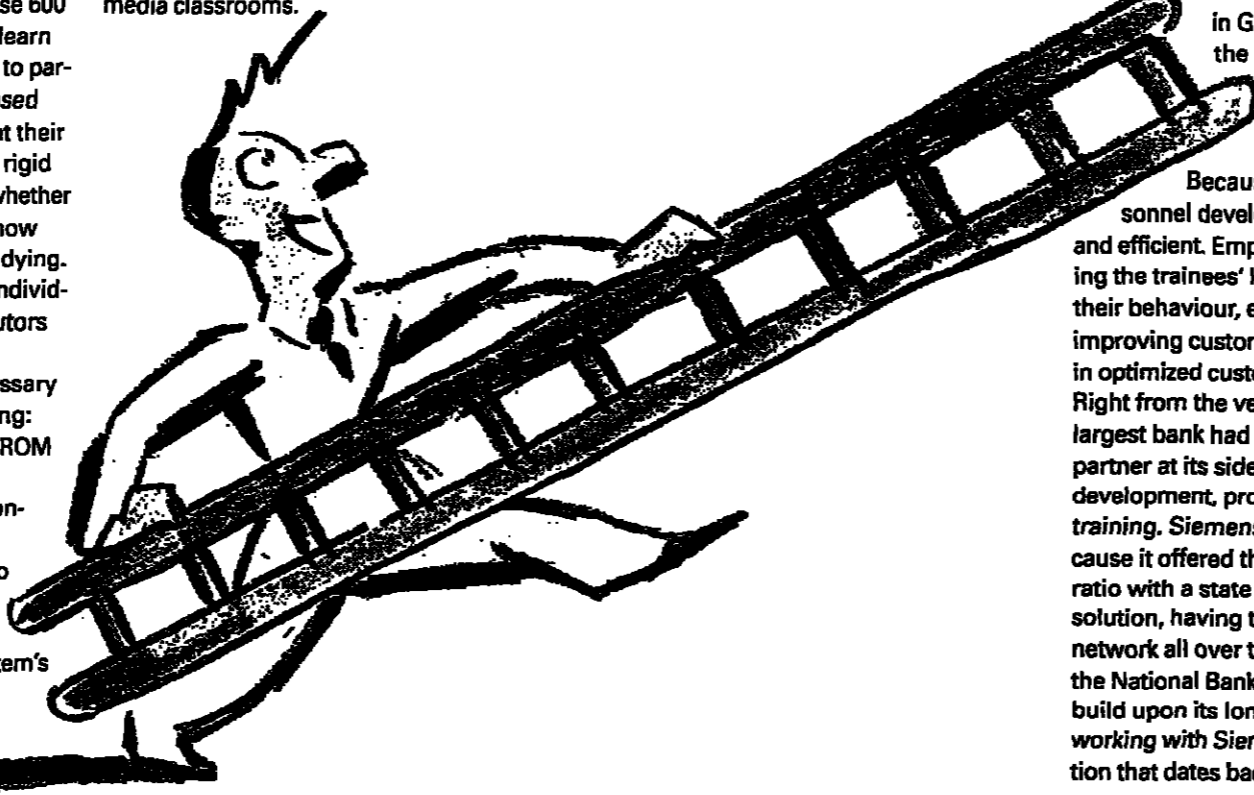
With its PIE (Programa de Informática Educativa) initiative, the Catalan government's Ministry of Education has now entered the multimedia learning age.

Today, pupils at public schools can use 600 Siemens Nixdorf multimedia PCs to learn a variety of European languages and to participate in all kinds of multimedia-based special courses. And they can learn at their own pace, without the constraints of rigid course hours. It makes no difference whether the users are beginners or already know the fundamentals of what they're studying. Because they can fashion their own individual curricula, or they can call upon tutors for advice.

Siemens Nixdorf provided the necessary infrastructure for multimedia learning: with SCENIC multimedia PCs and CD-ROM self-study programs.

And Siemens Nixdorf was also responsible for complete integration of the systems. LAN technology was used to integrate the Windows NT™ servers and UNIX® systems into a consistent network. As an added benefit, the system's Internet link allows the pupils to tap into information from around globe in a matter of seconds.

Because of the resounding success of the PIE project, the Ministry of Education intends to extend the multimedia network with the objective of making learning even easier and providing even more multimedia classrooms.



Athens: National Bank of Greece offers its staff multimedia career path support.

For the first time implemented in Greece: Multibank provides the National Bank of Greece with an innovative instrument for training and educating its staff.

Because Multibank makes personnel development cost-effective, fast and efficient. Emphasis is placed on enriching the trainees' knowledge and improving their behaviour, e.g. by facilitating and improving customer orientation resulting in optimized customer relationships. Right from the very beginning, Greece's largest bank had a strong and competent partner at its side: for advice, multimedia development, project management and training. Siemens Nixdorf got the nod because it offered the best price/performance ratio with a state of the art innovative solution, having the most available service network all over the country. What's more, the National Bank of Greece was able to build upon its long years of experience in working with Siemens Nixdorf, an association that dates back to 1968.

Multibank offers a broad range of training and educational offerings for the bank's more than 15,000 employees: fundamentals of marketing, market research, new banking products, marketing strategies, selling and customer interaction techniques, fundamentals of accounting and much more. Based on multimedia PCs, peripherals and network, all from Siemens Nixdorf - Multibank helps the staff at the National Bank of Greece travel faster along their career paths.

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Frankfurt: Starting shot fired for multimedia electronic banking at Deutsche Bank.

With the development of the next generation of db-dialog, Deutsche Bank is opening up new opportunities for its customers: a user-friendly electronic banking program is assuring that all of the customer's typical banking needs can be handled easily and around the clock from a personal computer. The MS Windows application has a new and attractively styled user interface. Deutsche Bank and Siemens Nixdorf joined forces to develop the multimedia electronic banking idea into a viable product. Deutsche Bank customers will soon be able to benefit from it. With db-dialog, Deutsche Bank now has a high quality software product that saves customers time and money, while assuring competitive advantages for Deutsche Bank. Siemens Nixdorf is playing a major role in making Deutsche Bank's electronic banking offerings more comprehensive and attractive.

To make a virtual visit to a Deutsche Bank branch office, all the customer needs - in addition to a personal computer - is a modem and a T-Online ID. If the PC is additionally equipped with a sound card, electronic banking becomes a true experience. The basic functions, like electronic funds

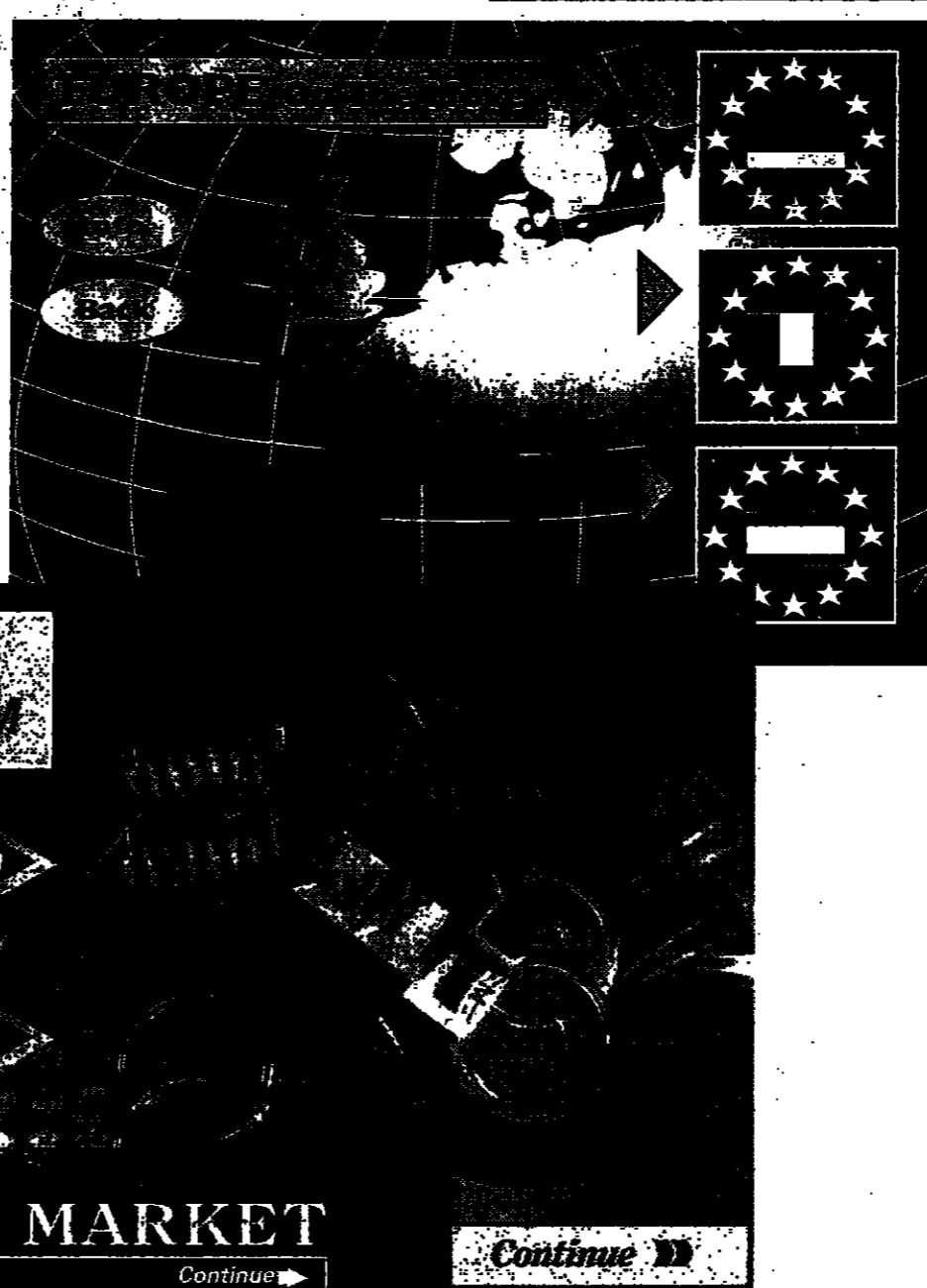
transfers or balance and transaction inquiries, are implemented on a multibank basis, i.e. they can be used for virtually all banks with online capabilities. A special service that Deutsche Bank provides to its customers allows them to display their securities custody accounts complete with current price information. In addition, it is also possible to query the prices of leading equities that are traded in Germany, the United States and Japan. And, as an extra service, this attractive multimedia application also enables customers to place direct orders, i.e. to buy or sell securities.

Siemens Nixdorf is helping to build the European multimedia house.

MATES, a project being sponsored by the European Community, is a major factor in designing and employing multimedia technology in the engineering sector. The objective of MATES - Multimedia Assisted distributed TeleEngineering Services - is to create a distributed work environment conducive to the efficient implementation of development and knowledge-intensive projects, in particular, regardless of where the participants are located. A further aim is to establish telecooperation centers throughout Europe incorporating new communication channels like the Internet for providing consulting services and allowing know-how to be transferred.

Involved in the project are partners from France, the Netherlands, Spain, Sweden and Germany; the partners are handling tasks that are related to their specific interests: user organizations, application and technology vendors, systems integrators and service providers.

As a technology vendor, Siemens Nixdorf is participating with its Cadlab research laboratory. At the same time, Cadlab is also responsible for project coordination. Siemens Nixdorf subsidiary Sietec, whose activities focus on project business, has assumed responsibility for systems integration. The long-term focus of utilizing the findings from this project to help develop a more effective labor market is turning MATES into one of Europe's leading projects. All the more so since a study by the Gartner Group forecasts that over 80 % of all organizations will be employing half of their workforce on a telework basis by the beginning of the next millennium. This is a development that hinges upon the availability of leading-edge information systems like those for document and video conferencing.



Munich: The creative connection between the computer and Bavaria Film.

When two specialists join forces to combine their know-how in a project, there can be little doubt about the outcome: with M-BRAIN, Bavaria Interactiv, a subsidiary of Bavaria Film GmbH, and Siemens Nixdorf have launched a multimedia project that is getting things moving in the field of commercial sales promotion.

As Germany's most important TV and film studio, with headquarters in Munich and branches in Berlin, Hamburg, Cologne and Dresden, as well as operations in Hollywood, Paris, Rome and London, Bavaria Film GmbH produces some 20,000 minutes of TV programming each year. Responding to the growing interest in television, Bavaria broadened the focus of its activities: from traditional film-making to services for television companies and advertising agencies. Co-productions with private-sector television companies, design and graphics studios and advertising agencies involve a need for exchanging multimedia information among each other, and then supplementing this information and passing it on - quickly and without any loss of quality.

The M-BRAIN project offers the concept and solutions for these activities, as well as solutions for interactive television at the point of sale. A ten-step program accompanies commercial customers as they travel the road from silent sales clerks to multimedia sales terminals: the program ranges from development of the communication strategy on the basis of a customer-specific

market analysis and creation of the idea and the storyboard concept all the way to custom-tailored program development and a user-friendly navigation approach created with the aid of a special development principle.

The program also includes the screen design process - with sophisticated 3D animation if desired - that is matched to the customer's specific corporate identity needs, as well as the actual film production activities, with the customer being able to draw upon all of Bavaria Film's studio resources. Plus integration and meaningful interlinking of all of the media employed, as well as complete networking. Bavaria provides the customer with the needed infrastructure, i.e. personal computers, media servers, networks and operating systems. These components come from Siemens Nixdorf. A team of specialists from Siemens Nixdorf and Bavaria Film is right there with sound advice and hands-on assistance throughout the entire creation phase and beyond.



BANK
anking
Online
multimedia

SIEMENS NIXDORF

Brussels: If the customer won't go to the bank, the bank goes to the customer.

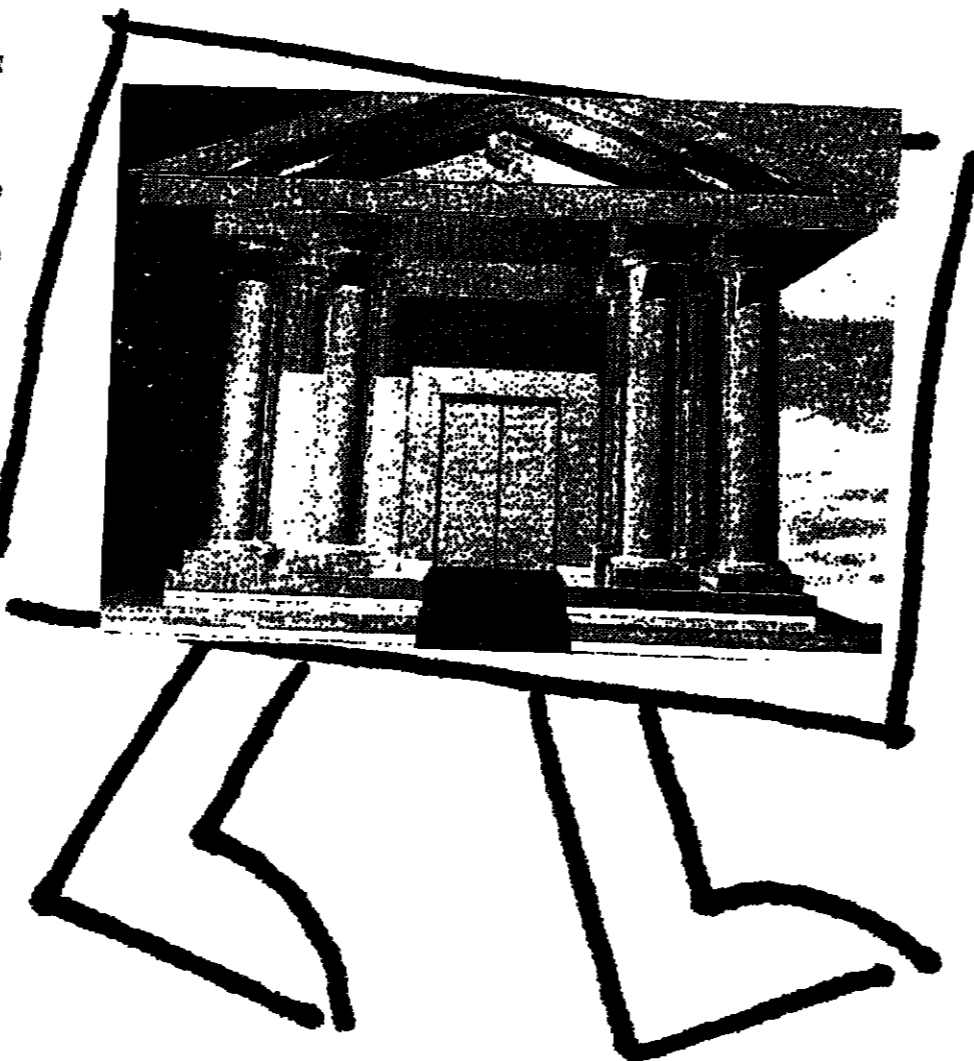
Three Belgian banks, Belgolaise, Crédit à l'Industrie and Crédit Agricole, are a nose ahead in the race to provide better customer care. The reason: DIVINA - Data Image Voice Interactive Applications - an all-encompassing solution for speeding up the development of interactive services that are directly available from any telephone, 24 hours a day.

Bank customers who utilize this new telephone banking service can now use the telephone to quickly and easily handle everything that used to require a trip to the bank's branch office: to query their account balances, get overviews of recent account transactions or transfer funds.

Or to obtain information about the bank's current product offerings or make changes to their personal data. DIVINA was implemented by Siemens Nixdorf's Belgian subsidiary IN2. Modularly structured, it can be fully tailored to the needs of the individual financial institution.

The idea behind DIVINA is as simple as it is effective: telephones are everywhere. Regardless of the time of day or location, a phone can be used - like a computer - to transmit signals that are then transformed into data. The engineering platform consists of an interactive voice server, a computer system equipped with voice communication cards that is able to transform digital data into verbal information or vice versa. Connected to the telephone system, this server can also be linked with other DP systems in the institution for data interchange.

Since the implementation of the DIVINA concept, customers at Bank Belgolaise can handle their banking needs in three different languages - simply by using a telephone.



From initial consulting services all the way through to installation and support, the Siemens Nixdorf subsidiary is responsible for the entire service. As well as for the matching hardware: a PC running under UNIX is installed as the voice. Which makes light work of banking business for Bank Belgolaise's customers. And not just in Belgium, but also in Africa and any country, where Bank Belgolaise also does business. The bank "Crédit à l'Industrie" was one of the first to introduce its new customer-focused communication concept: it launched its DIVINA-based telebanking project back in June 1992. Serving as the general contractor for the project, the Belgian Siemens Nixdorf subsidiary assured that

the bank's staff of more than 1,000 people and the thousands of customers were ready for the new information technology when it was introduced. IN2 developed the required applications and assured their smooth integration into the existing architecture.

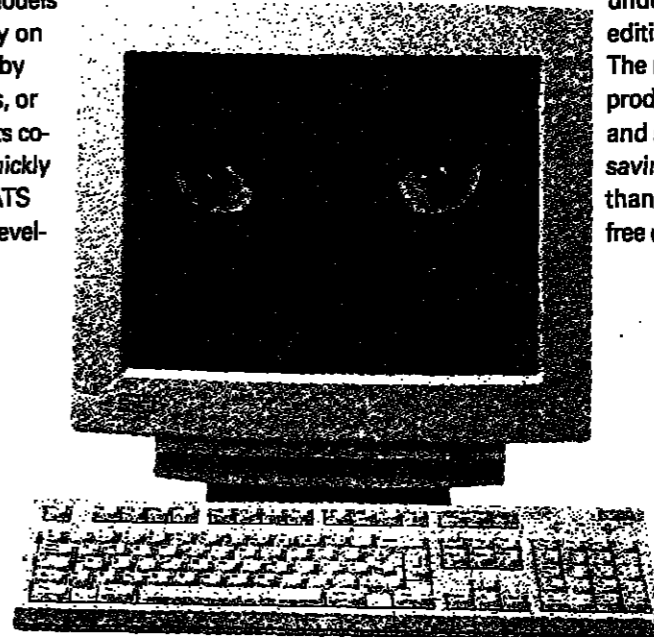
Another example of IN2's competence: introduction of a telephone banking system that was specially tailored to the needs of customers at the Bank Crédit Agricole. DIVINA served as the platform for this new service, which was implemented with methods and tools from IN2. Since its introduction in July 1994, the project - which the bank calls "Dynaphone" - has been receiving nothing but high marks from both staff and customers.

Bonn: With CATS, a conference is never more than a cat's whisker away.

A project called CATS - Computer Assisted Telecooperation Service - that is being conducted by Deutsche Telekom and Siemens Nixdorf subsidiary Sietec - which is playing a major role in the development - is the multimedia response to management's need for cost savings and flexible utilization of existing resources. Organizations that are following the trend away from large centralized production and administration locations and toward smaller business units are faced with a problem: inter-locational communication. Because urgent questions usually have to be clarified immediately, graphics and models handled jointly on the computer by several experts, or the latest results coordinated as quickly as possible. CATS was specially devel-

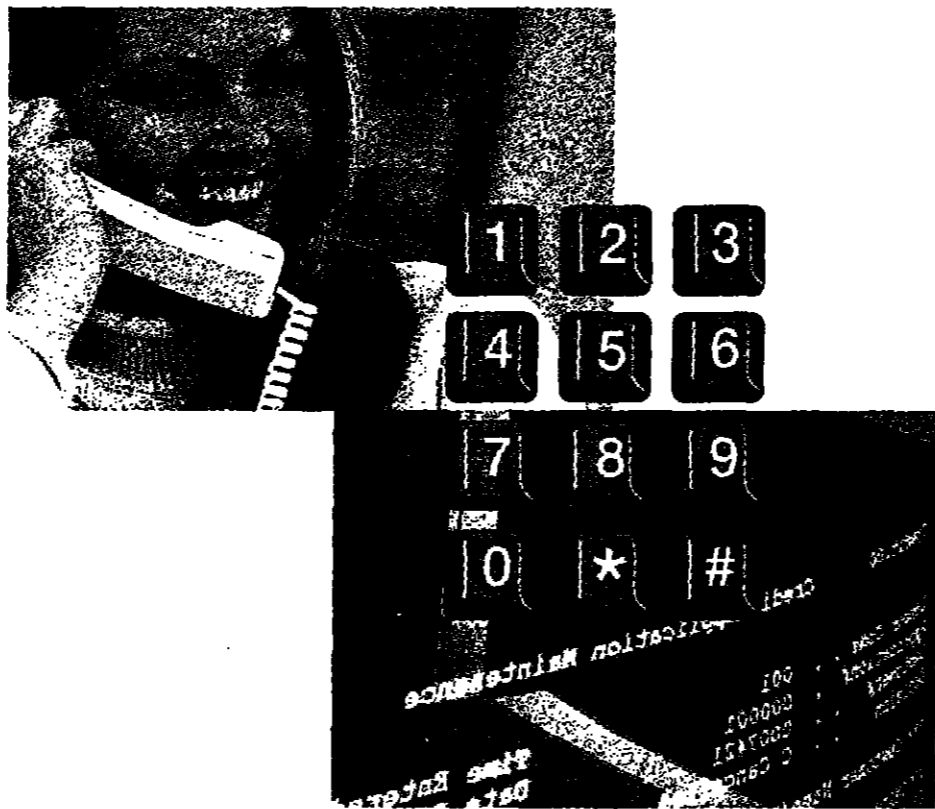
oped as a telecooperation service for manufacturers and engineering offices. It utilizes ISDN to conduct audio, video and data conferences. Plus intelligent management and application software. The solution was implemented with the Joint X conferencing software developed by Sietec. Deutsche Telekom succeeded in winning prominent participants like BMW, Benteler and the Berlin Construction Academy as pilot partners for CATS.

For the user, working with CATS is as simple as making a phone call: two or more work places are interconnected via ISDN, allowing projects to be worked on simultaneously under the joint editing method. The result: lower production cost and significant savings in time - thanks to travel-free conferences.



Brussels: JOSI brings insurance by phone.

With the implementation of the DIVINA project, a new era has dawned at Belgian insurer JOSI: Siemens Nixdorf's Belgian subsidiary IN2 provided full support in introducing its DIVINA development, from initial consulting all the way through to final implementation. IN2 used modules that were specially designed for the needs of the insurance industry to integrate DIVINA into JOSI's existing environment. The voice server, a PC running under UNIX, utilizes the insurance company's BS2000 mainframe for information interchange. This innovative voice server makes it as easy as can be for independent agents to communicate with the insurance company: using a telephone, and no additional equipment, it is possible for them to obtain rate calculations in a real-time link.



Siemens Nixdorf - Your multimedia partner for forward-looking solutions.

It's on everyone's lips: multimedia. No other form of information technology bears so much similarity to natural communication. Which also explains its enormous fascination and the public's willingness to participate in new forms of information interchange. In the form of either standard applications or custom solutions for retailing, manufacturing, banking, insurance and government. The more sophisticated these new multimedia

applications and service offerings become, the more important it is to have a solutions provider whose know-how ranges from the initial concept to ultimate implementation. And the hardware, software and communication networks on which they run have to be all the more versatile.

Accept the multimedia challenge - with Siemens Nixdorf as a capable partner for all services, products and solutions. With powerful hardware like the SCENIC multimedia

PC, POS systems and RM Series UNIX servers. With new data storage and compression technologies, and with networks that assure fast information transfer. Take advantage of electronic commerce to gain competitive advantages through more service around the clock or straightforward financial transactions.

Use forward-looking distance learning offerings, like CBT on demand and tele tutoring, to provide effective and cost-saving training

for your staff. Regardless of your individual needs - put us to the challenge. Siemens Nixdorf is your partner with comprehensive competence in the field of information technology.

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Clinton challenge on legislation gridlock

By Jurek Martin, US Editor, in Washington

President Bill Clinton yesterday threw down the gauntlet to the Republican majority in the US Congress by challenging it to pass the necessary legislation without "poison pills" that would ensure his veto.

Specifically addressing the causes of the current paralysis in Congress, Mr Clinton offered to sign a bill temporarily suspending the 1993 petrol tax, if it were sent to him free of non-genuine riders and if the Republicans allowed a comparable "clean" vote on increasing the federal minimum wage.

He also explicitly reminded the Republicans that they appeared to be losing the battle for public opinion in their legislative tactics. Without directly referring to his expanding lead in the polls, the president pointedly asked: "Will you go your own way again, leaving the American people with the memory of extremism, deadlock and government shutdown?"

The remaining 90 days of the congressional session, he went on, should be treated "like the

end of the legislative session and not the beginning of an election season." All the seats in the House of Representatives, and a third of those in the Senate, will be at stake in the November election.

Mr Clinton's remarks came hours after Senator Bob Dole, Senate majority leader and presumptive Republican presidential candidate, and Senator Tom Daschle, Democratic leader, had indulged in a bitter exchange on the Senate floor, each accusing the other of foisting "gridlock" on Congress.

The president said he would be "glad" to sign both the petrol tax repeal and a minimum wage increase, "if they come to me clean." The first, a Republican priority, is meant to counter the recent surge in prices at the pumps; the second, demanded by Democrats, is aimed at helping poorer working Americans.

But he extended his offer by citing other important pieces of legislation which he would be willing to sign if they were stripped of what he repeatedly called their "poison pill" features. That included welfare reform, if the Republicans

detached changes to Medicaid for the poor, and an immigration bill, if a rider approved by the House denying hospital care to the children of illegal immigrants was dropped.

Mr Clinton also said he was perfectly willing to re-open negotiations on a seven-year balanced budget agreement, provided the Republicans stopped insisting on deep spending cuts for education and the environment.

Mr Clinton, somewhat artfully, said he was not asking "the Republican national committee or Senator Dole to refrain from politics." But, "whenever we've worked together in a bi-partisan fashion, we've gotten progress."

Mr Clinton's somewhat artfully, said he was not asking "the Republican national committee or Senator Dole to refrain from politics." But, "whenever we've worked together in a bi-partisan fashion, we've gotten progress."

Mr Dole's initial reaction to the president's intervention was dismissive, sarcastically referring to what he called "the president's non-partisan appearance [at] the White House". He insisted he had offered the Democrats "clean votes" on the petrol tax and the minimum wage, so long as they agreed to a third clean division on the "team act", bitterly opposed by organised labour for fear it infringes on collective bargaining rights.

Black opponent again for right-winger Helms in repeat run

By Jurek Martin in Washington

Senator Jesse Helms, arch-conservative chairman of the US Senate foreign relations committee, will again defend his North Carolina seat against Mr Harvey Gantt, the black former mayor of the city of Charlotte, in the November election.

Mr Helms, first elected in 1972, defeated Mr Gantt six years ago 53:47 per cent. That contest was marked by much racial innuendo from the senator. Some early Helms commercials this year have again attacked preferences in hiring and other areas for blacks and homosexuals.

Mr Helms may be relieved not to have to face the man Mr Gantt defeated by 53:41 per cent on Tuesday in the Democratic party's senatorial primary. Mr Charles Sanders, former head of Glaxo, the pharmaceuticals company, is

not only white but also an advocate of several conservative positions, including term limits for members of Congress, that, he claimed, undercut Mr Helms's appeal in ways Mr Gantt could not.

In his speech to concede defeat, however, Mr Sanders promised to do "everything I can" to put Mr Gantt in the Senate.

The latter has challenged Mr Helms to public debate on racial questions rather than, as he put it, "hide behind those 30-second TV commercials." Mr Helms hoped the two could "disagree agreeably like gentlemen."

For all his long service in Washington and vaunted fundraising abilities, Mr Helms is accustomed to close races. His winning percentages in his four Senate elections have been in the range of 52 to 55 per cent.

This year, however, he may benefit from new Republican

voter registration comfortably exceeding that of Democrats in North Carolina.

The state has long mixed a liberal tradition, rooted among blacks in its south and in the university complex by Raleigh-Durham in the north, with strong conservatism. That was evident in the Republican gubernatorial primary on Tuesday, won by Mr Robin Hayes, supported by both the gun lobby and the Christian Coalition, for the right to take on Mr Jim Hunt, the popular Democratic incumbent, in November.

In presidential primaries on Tuesday, President Bill Clinton and Senator Bob Dole easily won North Carolina, Indiana and the District of Columbia against token opposition.

The election in the US capital was noteworthy for the fact that voter turnout hit a record low of 9 per cent - in a poll which it cost the quasi-bankrupt city \$350,000 to stage.



Harvey Gantt, seen celebrating his Democratic primary win, will have a second tilt at arch-conservative Senator Helms.

Elsewhere, the citizens of Nashville, Tennessee, comfortably approved a bond issue to help build a new professional football stadium, intended as the home of the current Houston Oilers team. US cities and states are in intense competition to attract, or retain, professional sports franchises.

In March, voters in San Francisco supported a new baseball park on the city waterfront to keep the local Giants from leaving for San Jose or another city.

Mexico-US accords made

Mexico's often chilly relationship with the US warmed a little this week, as two days of talks ended with a welter of agreements, Daniel Dombey reports from Mexico City.

The cabinet-level Binational Commission reached accords on topics including drugs, immigration and environmental co-operation.

Mr Warren Christopher, US Secretary of State, hailed the talks, for which an unprecedented nine US cabinet secretaries travelled to Mexico City, as having arisen from "the most positive relationship that

we have ever had between Mexico and the US".

His closing comments contrasted with the inaugural statement of Mr Angel Gurría, Mexico's foreign minister, who had criticised of mounting anti-migrant sentiment in the US and of draft legislation before Congress which seeks to prevent third countries investing in Cuba.

But Mexican criticism accompanied what seemed to be a greater disposition to co-operate with the US, whose officials were especially enthusiastic about a Mexican request for US technical assistance in

implementing the former's new money-laundering law.

The subject has been especially delicate because of recent suggestions by US Drug Enforcement Administration officials that Mexican banks have been involved in money-laundering. Such comments could have hardened the traditional Mexican aversion to interference in its internal affairs. The suggestions were this week down-played by US representatives.

Mexican officials spoke highly of a pact to enhance consular protection for illegal immigrants to the US.

Moderate growth in economy

The US economy grew moderately in the past two months, with little sign of any inflationary pressures, a survey of regional business conditions by the Federal Reserve shows, AP reports from Washington.

The survey by the Fed's 12 regional banks showed all districts except New York were sharing in the expansion. Several districts "noted the pace of expansion had quickened recently."

"Price increases remained generally subdued and there were only scattered reports of wage pressures despite continued tight labour markets and somewhat stronger economic growth," the survey summary said.

Canadian province keeps aim to balance budget by 2001

Ontario's Conservative government plans to cut personal income tax rates in the Canadian province by 30 per cent over the next three years, without jeopardising its aim of a balanced budget by 2001.

The tax cut, unveiled in the government's first budget since it took office last June, marks a sharp break from successive increases imposed by all levels of government in Canada over the past two decades.

Ontario, which accounts for about 40 per cent of Canada's total economic output and is an active borrower on world capital markets, is well behind most of the other nine provinces and the federal government in bringing down its budget deficit.

This week's budget projected a deficit of C\$8.2bn (US\$6bn) in the year to March 1997, down from C\$9.1bn in 1995/96. The Conservatives hope that public spending cuts and continuing economic growth will more than offset the new tax concessions.

Mr Ernie Eves, provincial finance minister, said: "Unless we reduce our current levels of taxation, we will never return to prosperity, we will never create enough jobs to give Ontarians a secure future, we will never generate enough revenues to balance the budget."

The provincial income tax

rate will drop, on July 1, from 58 per cent of federal tax payable to 54 per cent. Further cuts will bring it to 40.5 per cent by 1999.

Social activists and other critics opposed the tax cut, saying the funds would be better used to ameliorate cuts in government services, which have included a 22 per cent reduction in welfare payments and lower funding for community groups.

The business community generally welcomed Ontario's strategy, but economists cautioned that a recession could derail the reduction targets.

The government has yet to offer full details of its planned overhaul of the public sector, including the possibility of several large privatisations.

Even so, Richardson Green-shields, a Toronto securities firm, said in a commentary yesterday that the commitment to fiscal discipline by the federal government and the provinces was "a vital element in our expectation of a secular rise in the Canadian dollar and narrowing long-term interest-rate spreads."

Mr Eves also moved to improve the business climate by exempting businesses with annual wage bills of less than C\$400,000 from payroll taxes used to finance health care services.

This concession was offset by a health surtax on middle- and high-income earners.

Big step on Guatemala's tortuous road to peace

Social reform deal brings closer an end to Central America's remaining civil war, writes Fiona Neil

The signing this week of a social reform agreement by the Guatemalan government and leftwing guerrillas marks a big step forward in the slow trudge to wrap up Central America's longest and last remaining civil war.

The agreement is also another feather in the cap of President Alvaro Arzú who has surprised both friends and foe since he took office in mid-January with a reputation as a tough rightwing businessman and a member of Guatemala's exclusive white elite.

The significance of the agreement lies less in its sketchy content than in the fact that the biggest hurdle to a final peace accord has now been cleared after almost a year of tortuous discussions.

With only three issues - the role of the army, constitutional reform and the re-integration of guerrillas back into society - remaining on the negotiating agenda, Mr Arzú's pledge to sign a full accord with the Guatemalan National Revolutionary Unit (URNG) to coincide with independence day celebrations on September 15 no longer seems the product of post-electoral euphoria.

The five-point agreement addresses a range of issues aimed at attacking the poverty that has fuelled the 35-year civil war, but is short on specifics. The most important points include the creation of a land bank to provide soft loans for poor peasants to buy property, the introduction of a land tax, and the establishment of a registry to define land ownership.

All these measures are designed to attack Guatemala's notoriously skewed land distribution, without offending powerful landowners, who nearly derailed the peace process last year because they feared the government would back some kind of agrarian reform. Land distribution has been a full-crum of conflict in Guatemala for 200 years.

The government also agreed to double health and education spending over the next four years by improving tax collection rather than raising taxes. "There is something for everyone. No one can say they have been sold out," said one European diplomat.

The peace breakthrough is another example of Mr Arzú's ability to manoeuvre skilfully over Guatemala's political minefield, winning support

from a fledgling centre which may finally stamp out the tendency towards extremism in polarised Guatemala. His closest advisers include a handful of intellectual heavyweights - some former URNG sympathisers - whom analysts say have softened his National Advance-ment Party's rightwing image.

He himself made the key breakthrough in late March by making a surprise visit to the guerrillas' headquarters in Mexico City. The URNG subse-

quently announced an historic open-ended ceasefire as a gesture of goodwill. It was rapidly matched by Mr Arzú, who ordered the army to end all counter-insurgency operations.

Mr Arzú has won international support for acting swiftly to make good his electoral promise to attack crime rackets by purging elements of the powerful army accused of being corrupt, including a number of generals.

While the government played down the charges, dismissing them as routine, privately ministers say those removed were involved in crime rackets ranging from kidnapping to international car theft and drug trafficking.

The daring and unprecedented purge has the support



President Alvaro Arzú, surprising initiatives for peace.

The Management Board of Poliski Bank Rozwoju S.A. - Polish Development Bank in Warsaw hereby informs that pursuant to Art. 393 § 1 of the Commercial Code and § 28 point 2 of the Company's Charter it convenes the General Meeting of Shareholders to take place on 21 May 1996 at 13.00 hours in Warsaw at 5 Plac Trzech Krzyzy in the POD KOPULA Hall of the Central Planning Office Building with the following agenda

- 1) Opening and appointment of the chairman;
- 2) Establishment of validity of the meeting;
- 3) Adoption of the meeting agenda;
- 4) Appointment of the returning (vote counting) committee;
- 5) Consideration of the Report of the Management Board on Activity of the Company, the Company's Financial Statements and the Report of the Supervisory Board (Bank Council) on examination of the above-named documents;
- 6) Approval of the resolutions on the following matters:
 - Approval of the Report of the Bank Council on examination of the Company's Financial Statements; the Report of the Management Board on Activity of the Company; and the proposal of the Management Board on profit distribution;
 - Approval of the Report of the Management Board on Activity of the Company; and Financial Statements in respect of 1995 including the Balance Sheet, Profit and Loss Account, Supplementary Information, and Cash Flow Statement;
 - Distribution of profit in respect of 1995;
 - Acknowledgement of the duties performed by the Management Board and the Bank Council;
- 7) Adoption of a resolution on establishment of an employee incentive awards fund;
- 8) Adoption of a resolution on changes to the bank's Charter;
- 9) Adoption of a resolution on increasing of the discretionary fund being equity of the bank's Brokerage Office;
- 10) Conclusion of the Meeting.

The Management Board of Poliski Bank Rozwoju S.A. - Polish Development Bank (PDB) informs that pursuant to article 399 § of the Commercial Code, the right to participate in the General Meeting of Shareholders is due to owners of bank's bearer shares if those persons submit at least one week prior to the date of the General Meeting a deposit certificate issued by the Brokerage Office or a certificate issued by the brokerage office maintaining their investment accounts. The latter certificate should contain a clause stating the number of shares held, and statement that at issuance of the certificate the said shares have been blocked at the investment Account until completion of the General Meeting.

In place of deposit certificates, the shareholders may submit a proof of placement of the deposit certificate in a bank safe-keeping facility or with a notary public. The said proofs contain information on the number of shares held and state that the deposit certificates shall not be returned before completion of the General Meeting.

The certificates or deposit certificates should be submitted in the bank's premises in Warsaw, 54 Koszykowa Street (the IPC Building, at the Information Point located on the Ground Floor, entrance from Poznańska Street) three days prior to the General Meeting. A copy of the Report of the Management Board on Activity of the Company, together with the copies of the Company's Financial Statements and the Report of the Supervisory Board (Bank Council), plus the Auditors' Opinion together with the Auditors' Report shall be placed at the bank's premises referred to above and distributed to the shareholders at their request starting from 6 May 1996, 8.30-15.30.

The list of shareholders authorised to take part in the General Meeting pursuant to article 400 § of the Commercial Code will be posted in the bank's premises in Warsaw, 54 Koszykowa Street (the IPC Building, at the Information Point located on the Ground Floor, entrance from Poznańska Street) three days prior to the General Meeting. A copy of the Report of the Management Board on Activity of the Company, together with the copies of the Company's Financial Statements and the Report of the Supervisory Board (Bank Council), plus the Auditors' Opinion together with the Auditors' Report shall be placed at the bank's premises referred to above and distributed to the shareholders at their request starting from 6 May 1996, 8.30-15.30.

The shareholders may take part in the General Meeting and exercise their rights to vote in person or through proxies. Power of attorney should be granted in writing under the rigour of being found null and void.

Representatives of legal persons should present the excerpts from appropriate registers which name the persons authorised to represent those entities. Any person not entered in the above-mentioned register should present power of attorney in writing.

Joint owners of shares are obliged to indicate in writing their joint representative authorised to take part in the General Meeting.

Persons authorised to take part in the General Meeting will be able to voting cards and to register those cards on the day of the General Meeting at the entrance to the meeting hall between 11.00 and 13.00.

The following changes to the bank's charter are proposed:

- 1) in § 13 words "in another way indicated by the Bank" shall be substituted with words by takeover of the object of the lien to become a property of the Bank". The second second sentence shall be deleted.
- 2) in § 28:
 - a) in section 2 words, "until 31 May" shall be substituted by words-"until 30 June".
 - b) section 4 shall read: "-4. Convening of the General Meeting of Shareholders shall be done by means of an announcement in Monitor Sadowy i Gospodarczy (Court and Economic Monitor) published at least three weeks before the date of the General Meeting. The information about convening of the General Meeting shall also be announced in the daily newspaper Rzeczpospolita at least weeks prior to the date of the General Meeting".
 - c) the previous wording of section 4 is: "-4. Convening of the General Meeting of Shareholders shall be done by means of two announcements in Rzeczpospolita, a daily with nation-wide circulation, at least 10 days prior to the date of the General Meeting. The information about convening of the General Meeting shall also be announced in the Financial Times at least 10 days prior to the date of the General Meeting".
 - d) section 5 is added which shall read as follows: "-5. In the announcement convening the General Meeting the date, hour and place of the General Meeting as well as the detailed agenda shall be included. In case of an amendment to the Charter the announcement should refer to the currently valid provisions and present the text of planned amendments."
 - e) in § 29 the section number, "1" and section 2 shall be deleted.
 - f) in § 31 in section 1, following the word "-votes" the word "-cast" shall be added.
 - g) § 32 shall read: "-§ 32. Resolutions concerning issuance of bonds, including bonds convertible to shares, changes in the Charter, disposal of the company, merger and dissolution of the Company are taken by the majority of 3/4 of votes cast."
 - h) the previous wording of § 32 is: "-§ 32. Resolutions concerning issuance of shares, bonds, changes in the Charter, changes in the subject of the Bank's activity, or merger of the Bank shall require a 3/4 majority of votes cast."
 - i) § 33 section 2 shall read: "-2. In case when there is no quorum, as specified in section 1, during a General Meeting the persons convening that Meeting shall convene another General Meeting in 14 days time. In such a case the Meeting is valid irrespective to the number of shares represented at such a Meeting."
 - j) the previous wording of § 33 section 2 is: "-2. If a properly convened General Meeting has no quorum, as specified in section 1, the persons convening that Meeting may set a second date for the General Meeting. In such a case, resolutions may be adopted irrespective of the number of participants."
 - k) in § 34 in section 1:
 - a) point 2 shall read: "-2 examination and ratification of the report on activities of the company and the financial statements including the balance sheet, profit and loss account for the past year, additional information and cash flow."
 - b) the previous wording of point 2 is: "-2. examination and ratification of the balance sheet, and the profit and loss account in respect of the past year."
 - c) following point 2a shall be added which shall read as follows: "-2a. distribution of profit or coverage of the losses."
 - l) in § 36 point 1 shall read: "-1) ratification of the report of the Management Board concerning activities of the Company and of the financial statements including the balance sheet, profit and loss account, additional information and cash flow."
 - m) the previous wording of point 1 is: "-1) initial ratification of the Management Board reports, the Bank's balance sheet, and the profit and loss account in respect of the past year."
 - n) in § 40 in section 1 words "-commercial ledgers" shall be substituted with words "-accounting ledgers".
 - o) § 41 shall read: "-§ 41. The financial statements and written report concerning activities of the Company should be prepared by the Management Board within 3 months following the end of the business year and then presented to the Supervisory Board for approval. The Supervisory Board is obliged to take a resolution concerning approval. The Supervisory Board is obliged to take a resolution concerning approval of the filed documents within 15 days following the date of receipt of the financial reports and the report concerning activities of the Company."
 - p) the previous wording of § 41 is: "-§ 41. The annual balance sheet, profit and loss account and written report concerning activities of the Company should be prepared by the Management Board and approved by within 3 months following the end of the business year. Within the subsequent 2 months these should be submitted with the General Meeting of Shareholders for approval."
 - q) § 44 shall read: "-§ 44. The announcements concerning the Bank and required by law shall be published in Monitor Sadowy i Gospodarczy (Court and Economic Monitor) according to the effective regulations and once in Rzeczpospolita daily newspaper, unless special regulations provide otherwise."
 - r) the previous wording of § 44 is: "-§ 44. The announcements concerning the Bank and required by law, with the exception of those mentioned under § 28 section 4 of this Charter, shall be published once in Rzeczpospolita daily newspaper, unless special regulations provide otherwise."

Management Board
Poliski Bank Rozwoju S.A. - Polish Development Bank.

NEWS: UK

EU edges towards easing of 'mad cow' curbs

Financial Times Reporters in Brussels and in London... The European Commission yesterday demanded that Britain impose tougher controls on the production of gelatin and tallow made from cattle slaughtered in the UK...

be approved by the EU's standing veterinary committee, which is due to meet again next Wednesday. Yesterday they ended a two-day meeting, deferring all decisions to next week.

the lifting of the export ban on gelatin and tallow. But they accepted there was still substantial EU opposition to even a partial lifting of the beef export ban, particularly from Germany.

mission statement said. The commission statement added that the proposals matched recommendations from the World Health Organisation which said that gelatin was safe if the manufacturing process "has been demonstrated to significantly inactivate any residual infective activity that may have been present in source tissues."

of the commission, pressing for a "rapid solution" to the problem. Mr Major suggested that, if no progress could be made, a summit of EU heads of state should be called.

The British government's cull scheme finally began yesterday as about 1,000 cattle aged over 30 months were destroyed. But most of the slaughterings were in Scotland and Northern Ireland, with only about 100 in England.

Manufacturing decline heads for a soft landing

By Graham Bowley in London... The empty, devastated factory landscapes of the early 1980s and 1990s were testament to the last great contractions of British industry. Official figures published today are expected to show that, after a period of relative buoyancy since 1992, manufacturing may once again be set for further contraction...

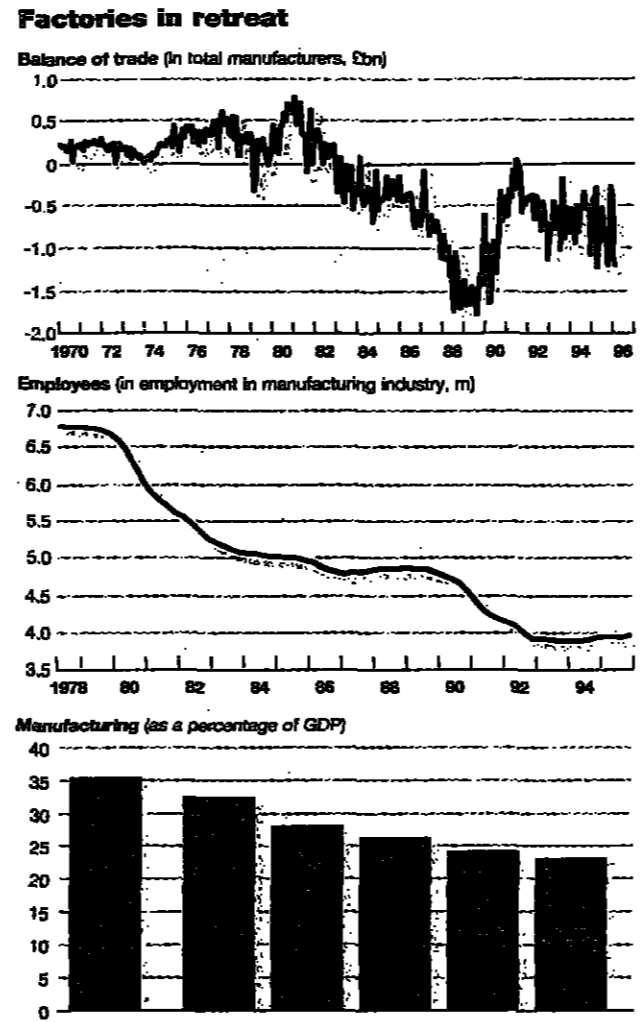
Industry content with unchanged rates

The Confederation of British Industry said yesterday that it was happy for UK interest rates to remain unchanged for now, our Economics Editor writes. "Our view on interest rates is that they can be left on hold for the time being," said Mr Sushir Junankar, associate director of economic analysis at the CBI.

best. While manufacturing has been in the doldrums this year, the services sector has continued to grow rapidly - at an annual growth rate of 3.8 per cent in the first quarter of this year.

But should we be worried by British industry's relative decline? Ms DeAnne Julius, chief economist at British Airways and co-author of a prize-winning essay on de-industrialisation, thinks not.

Mr Geoffrey Dicks, economist at NatWest Markets, agrees there is small cause for concern. "We cannot live by services alone because a lot of the sector services manufacturing. But that said, it is not worrying that manufacturing has become as small a part of the economy as it has."



Source: Datastream; Office for National Statistics

The UK has also avoided the balance of payments problems thought inevitable as imports continued to be sucked into the UK without the manufactured exports to pay for them.

developed countries. Despite its present troubles, UK manufacturing's relative decline may be nearing an end, whereas in other countries - such as Germany and Japan - there appears still to be much further to fall.

Central bank downbeat on EMU

By Gillian Tett, Economics Correspondent

Financial markets will punish the UK by pushing up its bond yields if it stays outside a single currency, Mr Eddie George, the governor of the Bank of England, warned yesterday. But if the UK enters a single European currency it will be tying itself to a project which looks increasingly risky, he added.

Mr George said the recent economic slowdown on the mainland of Europe had left him "more doubtful than a year ago" as to whether the conditions would be in place for healthy monetary union in 1999 - the planned starting date.

His comments provided a stark outline of the unpalatable choice that any future UK government will face later this decade if European monetary union goes ahead. However, his downbeat analysis is likely to be rebuffed by Mr Yves Thubault de Silguy, the European Union's monetary commissioner, who meets with UK businessmen and political leaders in London today and tomorrow.

Mr de Silguy hopes to use the meetings to win support for EMU. He will meet the opposition Labour party's shadow chancellor of the exchequer, Mr Gordon Brown, and the deputy prime minister, Mr Michael Heseltine. He will also promote the advantages of a future exchange rate mechanism to the those outside EMU to the single currency.

Rescued vanmaker seeks partners for new range

By Haig Simonian, Motor Industry Correspondent

A development partner, perhaps in Asia, is being sought by LDV, the British vanmaker which has risen from the ashes of the former Leyland Daf group. The company's choice of Samuel Montagu, the Asia-based merchant banking arm of the HSBC banking group, as financial adviser underlines the belief of Mr Allan Amey, LDV chief executive, that LDV could find a partner to work on new vehicles.

Mr Amey believes companies in a number of newly industrialising markets could be interested in co-operating on a successor to LDV's current range. The new model would combine LDV's reputation for no-nonsense products with more modern technology. Mr Amey said he expected the next 12 to 18 months to be occupied by discussions with potential partners. LDV's 1,500 employees will be hoping he finds a candidate quickly. "We are aware that the current structure of the company probably won't be suitable in the next three to five years," he said.

"Are we still going to be a private company in three years' time? I would doubt it." Mr Amey's candour stems from the fact that LDV is a minnow in a shark-infested sea. With sales of just 15,200 vans last year, it ranks as the smallest of Europe's volume vanmakers. Moreover, almost all its business is in the UK, robbing it of the ability to ride out national business cycles by spreading its sales internationally.

Yet Mr Amey was confident that LDV had a future. The company had flourished in the three years since the collapse of Leyland-Daf, he said. Production had climbed steadily, and turnover jumped 43 per cent to £216m (£326m) last year while pre-tax profits rose 27 per cent to £23.3m.

Such figures have embarrassed the experts who predicted LDV was heading towards bankruptcy after its rescue. Instead, it has flourished by concentrating on simple, sturdy vans, which can be tailored relatively cheaply to the customers' individual needs. While bigger rivals, such as Ford and Fiat, produce many

times more vehicles, they generally are in fewer variants. That means fleet buyers who want special features, such as a sliding door here or a rolling door there, have to send their newly-acquired vehicles to a specialist bodybuilder for conversion. By contrast, LDV does the job itself straight off the production line.

Sales of trucks (Jan-April 1996)

Table with columns: Volume (Units), Change (%), Share (%), Jan-Apr 96, Jan-Apr 95. Rows include Tractor (over 3.5 tonnes) and Other heavy trucks (over 15 tonnes) with sub-rows for various manufacturers like Leyland Daf, Iveco, Mercedes-Benz, Scania, Volvo, MAN, ERF, Renault.

Industry fears that a two-year recovery in the truck market is over were confirmed yesterday by figures showing a 14.6 per cent year-on-year fall in registrations of trucks of more than 3.5 tonnes last month. John Griffiths writes. Statistics from the Society of Motor Manufacturers and Traders showed that April's registrations fell to 4,257 vehicles compared with 4,983 in the same month a year ago.

Ostrich farming attracts protests

Financial Times Reporters... Investors in ostriches were mocked by animal welfare campaigners outside the High Court in London yesterday as the Ostrich Farming Corporation warded off an application by the British government to wind it up.

gum, said: "These are teething troubles for the ostrich industry, that's all." The government's application to wind up the OFC was postponed after the company said it needed more time to prepare its defence. Afterwards, one investor said: "We are all very concerned about the whole situation. We want it sorted out as soon as possible. The whole thing is a nightmare."



US and S African governments face suits over weapons-to-Iraq case

By Jimmy Burns in London

The former British intelligence agent and company director at the heart of the arms-for-Iraq affair, Mr Paul Grecian, yesterday said he planned to take legal action against the South African and US governments for wrongful imprisonment. Mr Grecian arrived back in the UK from South Africa after a Johannesburg court rejected a US request for his extradition on charges of conspiring to sell artillery fuse components to Iraq in violation of an arms embargo.

He described the past six months, during which he was held in South African prisons while facing pressure from US officials, as a "disaster" which

has caused him and his family distress. "There is no doubt in anybody's mind that the Americans have not acted in very good faith, and that the action of certain officials in South Africa left grounds for serious concern," Mr Grecian said at a press conference in the House of Commons organised by Ms Ann Clwyd, the opposition Labour party MP who has campaigned on his behalf. Mr Grecian was arrested in December by South African police on an Interpol warrant while visiting his fiancée, even though a British appeals court had just quashed his conviction for illegally exporting arms to Iraq via Jordan.

UK NEWS DIGEST

Ministers split on competition

The government should have no role in the creation of national corporate champions, Mr Ian Lang will say today in a speech to the House of Commons. A break from the approach adopted by his predecessor as trade and industry secretary, Mr Michael Heseltine, who is now deputy prime minister, Mr Lang will also stress that the promotion of domestic competition is back at the heart of his role as arbiter of mergers and acquisitions. This return to the so-called Tebbit doctrine of the mid-1980s - which takes its name from the former trade secretary, Lord Tebbit - is the clearest indication yet of the sharp divide which has opened between Mr Lang and Mr Heseltine.

Mergers watchdog is defended

Past and present members of the Monopolies and Mergers Commission have defended its handling of the electricity generators' bids for two regional distributors. They were responding to last week's resignation from the commission of Mr David Kinnerley, a former chief executive of North West Water who criticised the MMC's workings and called on other members to quit. Mr Kinnerley was speaking after Mr Ian Lang, the trade and industry secretary, blocked the bids by National Power and PowerGen for Southern Electric and Midlands Electricity despite an MMC recommendation that they should be allowed to proceed.

Equitas failure cover is offered

Lloyd's of London name is being offered the chance to buy protection against the possible failure of Equitas, the insurance market's planned rescue vehicle. The product, launched by Aon Re Special Risks, part of the Aon broking group, could help Lloyd's sell its planned recovery plan - of which Equitas is part - to Names, individuals whose assets have traditionally supported the insurance market. Equitas will take responsibility for billions of dollars of US asbestos and pollution-related liabilities and is intended to allow Names to draw a line under their affairs at Lloyd's and leave. Some Names fear that, if Equitas has insufficient assets, they might face extra bills. The new product will allow them to protect specified assets against seizure.

Business park near airport

A £100m (£151m) business park is to be developed at Manchester Airport in northern England in a joint venture by Arlington Securities and Manchester City Council. The park will house about 4,000 jobs on a 20ha greenfield site near the airport's terminal buildings and hotels. The airport, owned by Greater Manchester's 10 local authorities, is the ninth largest in Europe.

Fewer gain citizenship

A pie chart and text detailing citizenship statistics for the UK in 1995. The chart shows: Total 40,816 grants; Other (21%), Indian sub-continent (27%), Middle East (9%), Europe (9%), Old Commonwealth (8%). Text explains that more people from the Indian subcontinent than any other region were granted British citizenship last year, but that the number of grants made on the basis of residence fell to 43,000 in 1995 from 58,000 in 1991.

Workplace illness rises

The health of the British workforce leaves much to be desired, say two reports. Working days lost through strikes - once called the national sickness - are at their lowest level since records began in 1891 but evidence continues to mount that the new national sickness is sickness itself. With rising absenteeism costing around £1bn (£1.6bn) annually, the government's Health and Safety Executive said that more than 2m employees each year were suffering ill-health either caused or aggravated by the workplace. The HSE's comments coincided with a report claiming that Myalgic Encephalomyelitis, otherwise known as ME, is costing nearly £1.5bn a year in benefits, medical bills and loss of government revenue. At least 150,000 people in Britain are thought to be affected by the illness, characterised by exhaustion and lethargy.

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COMMENT & ANALYSIS



Economic Viewpoint • Samuel Brittan

Take away that gloom

The UK economy is doing better than a superficial look at some figures suggests. But it is unlikely to produce a sufficient recovery in the government's standing

A favourite theme of Michael Heseltine, the British deputy prime minister, is that an economic upturn, in which the consumer clearly gains, will provide a powerful political boost to the government of the day and could even get it re-elected in spite of heavy odds.

I cannot imagine Mr Heseltine would like an unusually rapid boom which would have to be reversed after an election. Even if he did, the financial markets would realise what was happening very quickly and there would be no shortage of Blairite commentators to translate their message to a cynical and suspicious electorate.

Even now, too many analysts see weaknesses and dilemmas that are mainly in the mind's eye. It is true that the flash estimate of first-quarter UK real domestic product shows growth still looking pretty sluggish.

A longer perspective at first makes matters seem even worse. Real GDP is only 8 1/2 per cent above the level it reached at the end of 1990, when the economy was officially regarded as operating around its equilibrium - ie without any gap between actual and sustainable output.

Other analysts worry more about the composition of growth. When the recovery

first started after the last recession it was led by the export sector, and manufacturing saw the greatest gains. But the service sector has since taken over the lead and manufacturing has been stagnant since last summer.

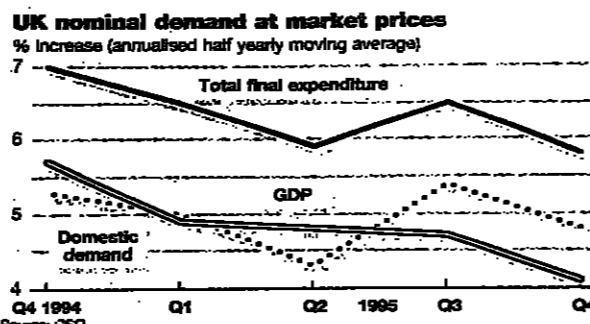
Most of the above concerns suggest that output is too sluggish and that policy is too restrictive. Yet there is plenty for those who always look for indications of a revival of inflation. Broad money growth is fairly high, not only in the UK but in most members of the Group of Seven industrialised countries.

But even if one treats these monetary and financial indicators as no more than amber signals, there is not much case for lower interest rates. Many of the direct effects would be on the consumer sector, which hardly needs stimulation.

Yet there is an interpretation of events, which is less slavishly dependent on official figures and which makes much more sense. Home demand is growing at an adequate rate. The element of sluggishness is introduced by the depressed behaviour of continental export markets.

The net result on the centre's estimates is that in the course of 1995 UK real GDP rose by nearly 3 per cent instead of the nearly 2 per cent estimated officially. The alternative presentation has the merit of stopping us from beating our breasts about growth when unemploy-

Table: UK performance: an alternative interpretation. Columns: Change between Q4 1994 and Q4 1995, Official figures, Alternative interpretation. Rows: Real GDP growth, Productivity growth, Employment growth (%), Employment growth (number), Growth in working population, Fall in unemployment.



ment has been dropping. There are, furthermore, plenty of straws in the wind to suggest that UK economic growth is understated by official estimates. The accompanying table is an alternative interpretation provided by the Centre for Economic and Business Research.

It is no use just crying for policymakers to adopt nominal GDP as a philosopher's stone, or it will suffer the discredit that money supply and exchange rate targets have suffered and that inflation targets will surely suffer to.

Nominal GDP is one of a family of measures to be examined in conjunction with each other. Others include total final expenditure, which includes imports, and there is domestic demand, which excludes both imports and exports.

Unfortunately the only estimates for these other series are at market prices - rather than at factor cost - and they register are therefore too high. But the relativities do tell us something. The two other demand measures - total final expenditure and domestic demand - have been growing at higher rates and have veered less towards deflation than GDP itself.

The recent announcement by Gordon Brown, the Labour Treasury spokesman, that the Treasury would be responsible for real growth arouses suspicions that real growth targets may indeed be the intention.

It would be sad if we had to learn all the lessons of the early 1980s all over again because of the difficulties official statisticians have in estimating productivity gains.

BOOK REVIEW • Richard Tomkins

ASHES TO ASHES: America's Hundred-Year Cigarette War, The Public Health And The Unabashed Triumph Of Philip Morris By Richard Kluger Alfred A. Knopf, 807pp, \$35

Damned by denials after age of innocence

Perhaps the greatest tribute one can pay the author of this monumental history of the US cigarette industry is that, at the end of its 807 pages, it is impossible to say with certainty whether or not he smokes.

Arguably, hysteria is an appropriate reaction to what cigarette manufacturers do. In the US, smoking is the biggest single cause of premature death, taking the lives of an estimated 400,000 people a year.

Moderate language, it could be said, is inadequate to convey the necessary sense of outrage over death on such a scale. Yet cigarettes are not the only legally manufactured products that kill.

Richard Kluger asks whether cigarette manufacturers are businesspeople much like any others, purveying a product that turned out to be hazardous long after it had become established in society.

At first, such stories entertain as well as inform. But the book takes on a more sombre tone when it reaches 1950, the year in which parallel studies in the US and Britain found the first evidence of a link between smoking and lung cancer.

Before that the cigarette companies enjoyed what now seems like an age of innocence, and the first part of the book is a rollicking tale of the rise of one of the world's most successful consumer products.

As the book's subtitle suggests, Philip Morris figures prominently in the story. The company started life as a small tobaccoist in London's Bond Street founded by the eponymous Mr Morris in 1847.

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memorable quotation from Parker McCormac, then chief executive of Philip Morris. Responding to the mounting health fears, he said: "If the industry leaders really believed that cigarettes cause cancer, they would stop making them." It was untrue then, and it is untrue today.

At present various groups of lawyers are trying to sue the US tobacco companies out of existence, but no one has wrung a penny out of them yet. Some anti-smoking activists argue for prohibition, but it did not work for alcohol, and no government wanting reelection would attempt it.

In the final pages Kluger cannot resist shrugging off his role as historian and looking for a possible solution. With hostility against the industry mounting, he says, it is only a matter of time before a lawsuit succeeds.

Kluger suggests that Congress should give the industry a blanket exemption from all personal injury claims in return for a doubling of the tax on cigarettes and a series of measures aimed at discouraging smoking - for example, a phased reduction of tar and nicotine yields, severe restrictions on advertising, and the use of the extra tax yield to finance "quit clinics".

Probably, he says, it is too much to hope that this will ever happen. But it serves as an unusually sane conclusion to an unusually sane book.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL. We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873-5938 (please set fax to 'fine'). e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Credit where it is due

From Mr Mwanjengela Ngali. Sir, I was surprised by Mr Karl Ziegler's remark (Letters, May 2) that the World Bank and International Monetary Fund often waived their qualifying macroeconomic demands for "political reasons".

I would refer you to the statements made by the IMF's managing director, Mr Michel Camdessus, on his recent visit to Nairobi. At a news conference, Mr Camdessus gave a glowing review of Kenya's economic reforms in the past three years and said the IMF was delighted by a government economic paper - the policy framework paper - released earlier this year.

It is surely to the credit of the Kenya government that such an environment has been created and Mr Ziegler, who apparently campaigns for debt relief for Africa countries, should occasionally give credit where it is due.

Mwanjengela Ngali, high commissioner, Kenya High Commission, 45 Portland Place, London W1N 4AS, UK

Limitations of US pollution goal

From Mr Mans Linnaroth. Sir, The article on tradeable permits of sulphur emissions in the US ("For sale: a licence to pollute", May 5) should not be allowed to disguise two central issues.

First, the US goal is surprisingly limited. When compared on a per capita basis, the US emissions were in 1993 some 15 times the Japanese emissions and some 10 times the west German and Swedish emissions. The US emissions are in fact on east European levels.

Second, the Swedish system of reducing nitrogen oxides is incomparably simpler than the US tradeable permits system and thus, perhaps, of much less interest to academic economists.

Mans Linnaroth, state secretary, Ministry of Environment, S-103 33 Stockholm, Sweden

per capita emissions levels will be below those of the US within some five years. Second, the Swedish system of reducing nitrogen oxides is incomparably simpler than the US tradeable permits system and thus, perhaps, of much less interest to academic economists.

What would Shakespeare have said of the US sulphur policy: "Much ado about nothing?"

C.M. Purvis, director-general, International Rayon and Synthetic Fibres Committee, Avenue E. Van Nieuwenhuysse 4, B-1160 Brussels, Belgium

energy produced. Thus, plants with low emissions per unit of energy produced are net receivers while those with high emissions are net payers. Nitrogen oxide emissions were reduced by 50 per cent between 1990 and 1994.

after the end of the Uruguay Round, with agreements on sensitive issues which negotiators painstakingly worked out at the close of the Round, and on whose basis economic operators throughout the world have subsequently based their strategies and investment programmes.

It would certainly be counter-productive to begin tinkering, less than three years

Trade needs stability, not tinkering

From Mr C.M. Purvis. Sir, Your leader "World trade at risk" (May 7), shows an unhealthy touch of paranoia about developments in world trade. I believe there is currently a bigger threat to the open multilateral trading system from a rush into the ambitious new initiatives proposed in the leader - which would lead to new tensions being generated - than there is from a period of consolidation for the World Trade Organisation.

It is surely to the credit of the Kenya government that such an environment has been created and Mr Ziegler, who apparently campaigns for debt relief for Africa countries, should occasionally give credit where it is due.

Mwanjengela Ngali, high commissioner, Kenya High Commission, 45 Portland Place, London W1N 4AS, UK

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It would certainly be counter-productive to begin tinkering, less than three years

had hoped had been buried once and for all by the Uruguay Round. A period of stability and reflection may be less exciting than a rush into new initiatives; however, it is also, at this stage in the WTO's development, immeasurably safer for the world trading system.

C.M. Purvis, director-general, International Rayon and Synthetic Fibres Committee, Avenue E. Van Nieuwenhuysse 4, B-1160 Brussels, Belgium

Consistency key to fund management

From Mr Stuart A. Fowler. Sir, Barry Riley, in his profile in the Pension Fund Investment Survey of Gary Brinson ("US manager with balance", May 2), shows a keen ear for the sound bite, picking up Brinson's comment about being underweight in the overvalued but outperforming US stockmarket - "being too early is indistinguishable from being wrong".

Claudia Binaghi, 71 West 109th Street, Apt 5B, New York, NY 10025, US

the extent that patterns of return behaviour can be identified and exploited within this context of largely efficient international markets, the ability of an active manager to do so will only be revealed by a long series of decisions over time. An active approach that can keep the proportion of errors to 45 per cent of all decisions could be a huge winner even though the absolute number of errors is high.

Absolute and relative market returns are mostly, like individual stock returns, random and unpredictable. To

(underweight in the US). Provided there is enough evidence of short-term trend persistence in international market returns, the trend follower may have a good method and being overweight the US is consistent with it. If there is enough evidence of longer term mean reversion in market returns, the value investor may also have a good approach and being underweight the US is consistent with it. Consistency with a method that appears to be a right, even if not exclusively right, is the key.

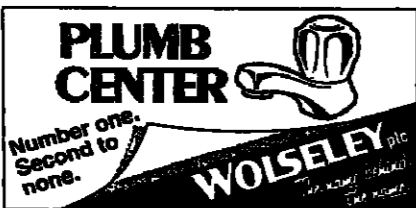
Stuart A. Fowler, Dynamic Investment Solutions, 69 Donnersley Street, London SW6 6EW, UK

Newcastle and Sunderland scout for new players. Siemens has already signed.

Join the professionals who have already chosen the North East for premier results in business. Nissan, Black & Decker, Samsung and now Siemens chose the North East for its unbeatable infrastructure, excellent communications and skilled workforce. League leaders Tyne and Wear Development Corporation can deliver the support your business needs. Office / factory rents from £4,000 to £1. M's business rates until the year 2000. Grants and financial assistance available. It all starts with this coupon. Please return it to Tyne and Wear Development Corporation, Southwood House, Newcastle Business Park, Southwick Road, NE4 7YL or call 0800 858888.

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Handwritten signature: Stuart A. Fowler



English soccer organisers hit by ticketing scandal

By William Lewis, Jimmy Burns and Simon Kuper in London

The Football Association, which runs English soccer, has been rocked by a ticket scandal just weeks before launching the European championships - the biggest sporting event in the UK for 30 years.

Mr Trevor Phillips, the FA's commercial director, has resigned and police are investigating ticket sales for Euro 96.

Mr Phillips oversaw the FA's organisation of the championships, but officials insisted last night that his unexpected departure would not affect the tournament.

Mr Glen Kirton, the FA's director of Euro 96, said that the FA was now acting with the police. "Jointly, and with the help of the official Euro 96 ticket distributors, we are looking into any abuses and taking appropriate action in the interests of security," he also said.

The FA said a covert operation similar to the one that it mounts at FA Cup finals had been planned in conjunction with Euro 96 tickets. "Following discussions with the police, we're now acting with them," Mr Kirton said.

The investigation is said to be focusing on corporate hospitality tickets, not tickets sold to the public. Mr Phillips, who had been with

Association director resigns as police probe sales for Euro 96

the FA for four years, is believed to be overseas and was not available for comment.

His departure from the FA follows police raids in London on April 30, including the offices of a company in which former England cricket captain Bob Willis is involved.

Scotland Yard's football intelligence unit raided the premises of National Sporting Club, a hospitality and social events company, near Piccadilly, and arrested a woman. Mr Willis is a non-executive chairman and his brother David is a director of the company, which has no connection with a similarly named casino.

Raids were also carried out on 12 other premises, mainly ticket outlets in London, with a further 17 arrests. Documents were also seized.

The raids uncovered information regarding the allocation of Euro 96 tickets which the police believe to be in breach of the FA's rules. The police have also been told that Mr Phillips authorised the allocation of corporate hospitality tickets to several companies.

Mr David Willis claimed last night that the company had got

the tickets through Mr Phillips.

"If it is made known to you by one of the senior directors at the FA that a very small number of selected organisations may be able to access authorised tickets directly, then naturally that is the most sensible route to go," he said.

Mr Willis said that he thought he had been dealing with the absolute pukka authorities. The National Sporting Club is waiting to hear whether it will be granted the tickets it obtained.

"We do know that there are a number of companies - probably 20 to 30 - in the same boat as us," Mr Willis said.

Two other ticket companies, Sportsworld and Keith Prowse, said yesterday that they thought they had bought the exclusive hospitality rights to Euro 96 from the FA. Mr Willis said that Keith Prowse "might reasonably ask the FA for some explanation" as to why tickets had been sold to other hospitality companies.

Separately, the FA announced yesterday that ticket sales for Euro 96 had reached almost 1.2m, representing 85 per cent of the tickets available.

Arch Deluxe joins Big Mac in US burger war

By Richard Tomkins in New York

For years, McDonald's has used the clownish figure of Ronald McDonald to draw youthful customers to its restaurants. Now, Ronald is growing up: he is aiming for the adult market.

In what seems likely to be the company's biggest fanfare since the launch of the Big Mac in 1967, McDonald's is today taking over New York's Radio City Music Hall to unveil its latest weapon in the US burger wars - a quarter-pounder called the Arch Deluxe.

On the face of it, the new burger, named after the McDonald's golden arches motif, seems much like any other.

But McDonald's researchers at the company's Hamburger University in Oak Brook, Illinois, have been working for months to come up with a burger formula that will tempt adults away from the rival Burger King and Wendy's chains.

Wall Street analysts say that although McDonald's dominates the US burger market by virtue of its sheer size, consumer surveys consistently show that adults rank the rival Burger King and Wendy's chains higher in terms of food quality.

Burger King, a subsidiary of Britain's Grand Metropolitan, has been doing particularly well with its Whopper, a burger that is grilled instead of fried.

Now, McDonald's is fighting back by going up-market with its Arch Deluxe. The burger aims to tap the US appetite for the "big" formula by topping the burger with peppered bacon, lettuce and tomato.

To give the burger a home-made appearance, leaf lettuce will be used instead of shredded lettuce, which looks processed. A cocktail of other toppings will include Dijon and stone-ground mustard and mayonnaise - as if the refrigerator had just been raided - and the whole will be enclosed in a new kind of potato flour bun.

At first, the burger will only be available in North America. Prices will vary between geographical markets, but it is expected to sell at \$3.19 in New York. Without the optional bacon, it will sell at \$2.99, the same price as a Big Mac.

Ms Stacy Jamar, an analyst at Oppenheimer & Co, said McDonald's and Burger King had previously been fighting the burger war by competing on price.

"Now they are pushing it to a 'my burger tastes better than your burger' kind of thing," she said.

Burger King brushed off the move. "Clearly, the competition is reacting to our success," it said.

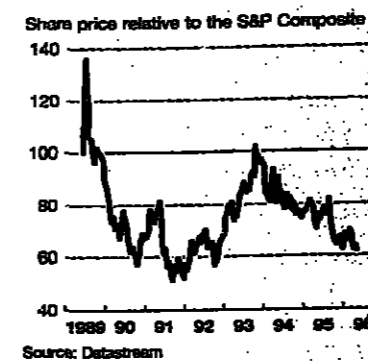
Wendy's was equally dismissive. "The end result is down to taste," it said. "We are not overly concerned."

THE LEX COLUMN

Time out

FT-SE Eurotrack 200: +1701.7 (-3.6)

Time Warner



Source: Datastream

Rumours that the US Federal Trade Commission is minded to block Time Warner's \$7.5bn takeover of Turner Broadcasting System are hardly surprising. A simple combination of Time Warner and Turner might just pass muster. The snag is that Tele-Communications Inc (TCI), the largest US cable operator, will end up with a 9 per cent stake in the enlarged Time Warner in exchange for its Turner shares. If Time Warner and TCI then operated as a single bloc, their joint dominance of both cable channels and networks would allow them to dictate terms in US pay-television. Rival channels and networks could get raw deals.

J. Sainsbury Sainsbury's decision to introduce customer loyalty cards may appear to have been made in a rather "oh, all right then" spirit. But the management's willingness to admit to a change of heart at least counters impressions of complacency. Still, the fact remains that the group has been slow to react to innovations by rivals - Tesco and Safeway already operate card schemes. There is also a worry that the loyalty card will add to Sainsbury's cost base and spark greater price competition, ultimately leading to a further margin erosion.

US/UK power The US power companies' international buying spree - notably in Britain - is great news for shareholders in the targets. The buyers' shareholders, by contrast, should be asking some tough questions. Bids are for utilities' managements and they are also in fashion - both are good grounds for doubting whether they make sense. Shareholders should start by dismissing airy talk of globalisation; in an industry whose product is consumed locally, this is waffle. Nor is there much in the proposition that US utilities, facing deregulation, need experience of markets which have already been opened to competition. Buying in this sort of expertise may be a good idea but there is no need to buy entire companies.

A more hard-nosed argument is that US utilities can borrow cheaply; the business will certainly be enhanced by

Chirac to reassure Kohl over planned French weapons cuts

By Michael Lindemann in Bonn and David Buchan in Paris

Mr Jacques Chirac, the French president, will tomorrow reassure Mr Helmut Kohl, the German chancellor, that planned cuts in weapons procurement will not endanger military co-operation.

The two leaders will meet in Bonn at a working dinner in an attempt to ease strains over the impact of French defence reforms.

Next Monday the French cabinet is due to endorse a five year military procurement programme for 1997-2002, amid fears that cuts will bear heavily on joint projects, particularly in helicopters, with Germany.

Paris has been reassuring Bonn in the wake of complaints from Mr Volker Rube, Germany's defence minister, that he was not adequately consulted before Mr Chirac announced in February he would phase out French conscrip-

tion, among other defence cuts. At the time, Mr Chirac promised that his reforms would not damage France's co-operation with Germany in their joint Eurocopter, nor its involvement in the Tiger and NH-90 helicopter programmes with Bonn.

But there has been growing speculation in Paris that France will reduce its orders for Tigers and NH-90s in its 1997-2002 programme. This has led to German demands for the programmes to be "rebalanced" in Germany's favour.

Mr Jean-Francois Bigay, president of Eurocopter, which is 70 per cent owned by Aérospatiale and 30 per cent by Daimler-Benz Aerospace (Dasa), confirmed last week that the German authorities had requested a recalculation of workshares on the Tiger programme.

According to German press reports, Germany will take 212 Tigers while France, which had

planned to buy 215, will now purchase less than 100. The Tiger is a purely Franco-German project, while the NH-90 programme involves other Nato allies.

The Germans are also concerned that France has said it does not have enough money to go ahead with the Future Large Aircraft, a new generation of military transport aeroplane which the two allies had been planning to develop and a project they are also hoping to persuade Britain to join.

French officials say that while France's new professional army will be nearly 40 per cent smaller than the current force, it should have almost as much firepower as the present force. But the new 1997-2002 military programme places a tighter overall cap on equipment spending.

Mr Chirac saw the Tiger and NH-90 in action last Friday when he attended French army manoeuvres in southern France.

US groups team up for 'super-jumbo'

Continued from Page 1

aircraft manufacturers to nominate one engine maker for each new aircraft.

"Working together, Pratt & Whitney and GE can bring the talents of both companies to this joint venture to give our airline

customers the best possible value," Mr Karl Krapek, president of Pratt & Whitney, said.

Airbus Industrie, the European manufacturing consortium, has already nominated GE as the engine maker for its own, extended A340.

The stretched A340 will carry

370 passengers.

Airbus has also said it wants to begin work by the end of next year on the A3XX, a new 550-seat aircraft to compete with the Boeing 747-400.

Airbus has said it expects the A3XX to be powered by existing engines.

WEATHER GUIDE

Europe today

High pressure will bring settled conditions with widespread sunshine over most of north-western Europe. Southern France will be cool with a fresh northerly wind. An area of low pressure will cause heavy cloud and rain over a wide area, from the Pyrenees through to the western Alps, across northern Germany and into southern Scandinavia. Thundery showers will develop along the eastern edge of the rain band. The Iberian peninsula will be unsettled, with cloud and rain on the north coast. Eastern and south-eastern Europe will be warm and sunny with some thundery showers, especially over the Balkans.

Five-day forecast

The east and south-east will remain warm with thundery showers. Some of the warm air will be drawn towards the north-west as low pressure moves from the Alps towards the Balkans, and thundery showers and sunny spells will occur near the low pressure area. Strong easterly winds will develop over southern Scandinavia.

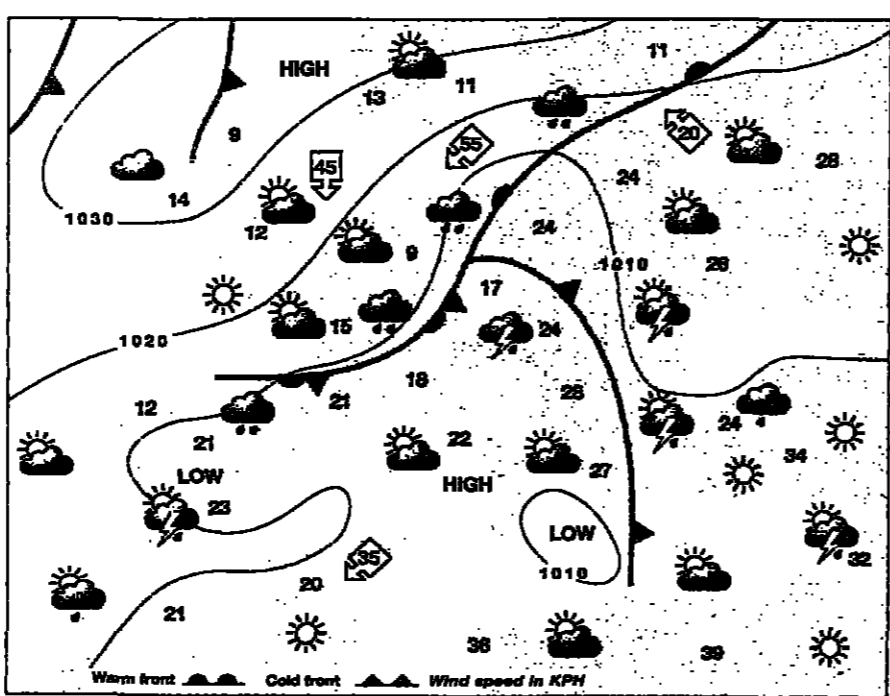


Table with columns for location, weather, and temperature. Includes cities like Abu Dhabi, Accra, Algiers, Amsterdam, Athens, Atlanta, B. Aires, Berlin, Bangkok, Barcelona, Beijing, Belfast, Belgrade, Bern, Bermuda, Bogota, Bombay, Brussels, Budapest, Copenhagen, Cairo, Cape Town, Caracas, Cardiff, Casablanca, Chicago, Cologne, Dakar, Dallas, Delhi, Honolulu, Istanbul, Jakarta, Jerusalem, Jeddah, London, Luxembourg, Lyons, Madrid, Manila, Moscow, Mumbai, Naples, Nassau, New York, Nice, Osaka, Paris, Perth, Prague, Rome, Seoul, Singapore, Stockholm, Strasbourg, Sydney, Taipei, Tel Aviv, Tokyo, Vancouver, Vienna, Warsaw, Wellington, Washington, Zurich.

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FINANCIAL TIMES COMPANIES & MARKETS

Thursday May 9 1996

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IN BRIEF
Scania falls 21% despite sales rise

Scania, the Swedish truckmaker floated in New York and Stockholm last month, blamed adverse currency effects and increased costs linked to the introduction of its new model range for a 21 per cent fall in first-quarter profits. Pre-tax profits slid to SKr1.1bn (\$161m) despite increased vehicle sales, barely matching market expectations. Page 18

Hochtief up at DM137m for year
 Hochtief, the leading German construction group, reported a 7 per cent improvement in net profits to DM137m (\$90m) for 1995, despite what it called "the worst post-war crisis" in the German construction market. It said it was "optimistic" about results for the current year. Page 19

Schering sees 'double-digit' growth
 Schering, the Berlin-based pharmaceuticals company, revealed mixed fortunes in product sales in the first quarter, but a good profits performance as net earnings rose 16 per cent from DM118m to DM131m (\$86.1m). Page 19

SA banks warn despite progress
 First National Bank and Nedcor, the South African banking and financial services groups, reported solid growth for the six months ended March 31. However, both groups predicted a slower rate of asset growth for the second half, citing the decline in consumer confidence, slackening demand for credit and the prospect of higher costs and interest rates in the wake of the recent sharp falls in the rand. Page 20

Westpac divests Victoria operations
 The shake-out in Australia's banking sector took a fresh twist when Westpac, one of the four big commercial banks, sold the Victorian operations of its recently acquired Challenge Bank subsidiary to Bank of Melbourne. Page 20

Berkshire lifts size of offer
 Berkshire Hathaway, the insurance and investment group chaired by Mr Warren Buffett, has increased the size of its B-share offer for the third time, in an attempt to meet all demand for the shares. The issue, which was due to be priced after the New York market closed last night, was put up from 850,000 to 450,000 shares. Page 21

Sony charts course for success
 Sony, the consumer electronics group which celebrated its 50th anniversary on Tuesday, is beginning to write the next chapter in its history. The Japanese group is busy re-shaping itself to ensure its success in a vastly different business environment. Page 22

Sainsbury's 22-year run ends
 J. Sainsbury announced its first fall in underlying profits in 22 years as a public company. But the supermarket group said it aimed to recapture lost market share with new marketing initiatives and a loyalty card. Page 23

Whitbread plans further spending
 Whitbread plans a near 30 per cent rise in capital spending on its pubs, hotels and restaurants this year to help it sustain profits growth which is among the best in its sector. Page 23

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ASIAN (JPY)		Sovell Corp	36.75 - 2.05
Bankers	300 + 15	Takara Tech	48 - 3
Boji	394 + 18	Sofway Soft	35.5 - 2.15
Chinook	238 + 15	TOYO (P&G)	1500 - 100
Daewoo	700 - 15	Wise	1010 + 100
Doosan	385 + 10	Marshall Food	600 + 110
Hyundai	522 - 13	Plesner	730 + 38
Kia	385 + 10	Yama Corp	730 + 38
LG	385 + 10	Janssen Simons	235 - 42
Samyang	385 + 10	Yokohama Steel	322 - 47
Samsung	385 + 10	KOOLAH (KOR)	235 - 42
Ssang	385 + 10	Wise	1010 + 100
Ssang	385 + 10	Daewoo Int'l	1.04 + 0.08
Ssang	385 + 10	Ssang Dyeing	7.85 + 0.35
Ssang	385 + 10	Daewoo Text	2.25 + 0.15
Ssang	385 + 10	Daewoo Text	2.25 + 0.15
Ssang	385 + 10	Daewoo Text	2.25 + 0.15

Ericsson rise dismisses mobile fears

By Hugh Carnegie in Stockholm
 Ericsson, the Swedish tele-communications group, shrugged off worries about prospects for the world's mobile telephone industry by reporting a 26 per cent rise in profits in the first three months and its 18th consecutive quarterly increase in orders.

The world's biggest supplier of mobile telephony equipment said pre-tax profits rose from SKr1.2bn at the same stage last year to SKr1.55bn (\$227m), mostly because of a 36 per cent jump in turnover by its mobile products

division, the largest in the group. Earnings per share rose from SKr0.92 to SKr1.09.

The company warned that the spectacular rates of growth in global mobile telephony - there was a 60 per cent expansion last year - had levelled off slightly, reflecting slower growth especially in the US, the biggest single market.

Ericsson adjusted upwards only marginally its forecast for the number of global mobile telephone subscribers by the end of the year 2000 to 360m compared with the 350m it forecast a year ago. There were 86m worldwide

users at the end of last year.

The results indicated that Ericsson, which claims 40 per cent of the world's mobile subscribers are connected to its systems, has not been as hard hit by recent trends as some investors have feared. Ericsson's most-traded B share rose SKr1.50 yesterday to close at SKr144, despite a 0.5 per cent general fall on the Stockholm bourse.

The slower growth path, increasing competition and tumbling prices for mobile handsets had undermined investor confidence in Ericsson and its rivals Motorola of the US and Finland's Nokia in recent months. Nokia reports its first-quarter results today, having already warned of a weaker first half performance.

Ericsson group sales rose 14 per cent to SKr2.6bn, driven by a surge in mobile division turnover from SKr10.3bn to SKr13.8bn. Order bookings rose 11 per cent to SKr28.7bn. The company does not report divisional profit figures.

Ericsson said the sales figures suffered from the higher value of the Swedish krona against the same period last year. It said mobile division sales rose by 50 per cent in dollar terms.

Mr Lars Ramqvist, chief executive, said the year had got off to a good start but added: "We are prepared for sharply increased competition." He said the company was stepping up its efficiency drive, which has centred on its fixed telephony division.

Fixed telephony sales dipped from SKr5.8bn to SKr4.6bn in the period and Mr Ramqvist said orders were also down, reflecting reverses in China and price pressures throughout the industry. The division has shed 3,000 workers over the past year, while the mobile division has expanded staff numbers rapidly.

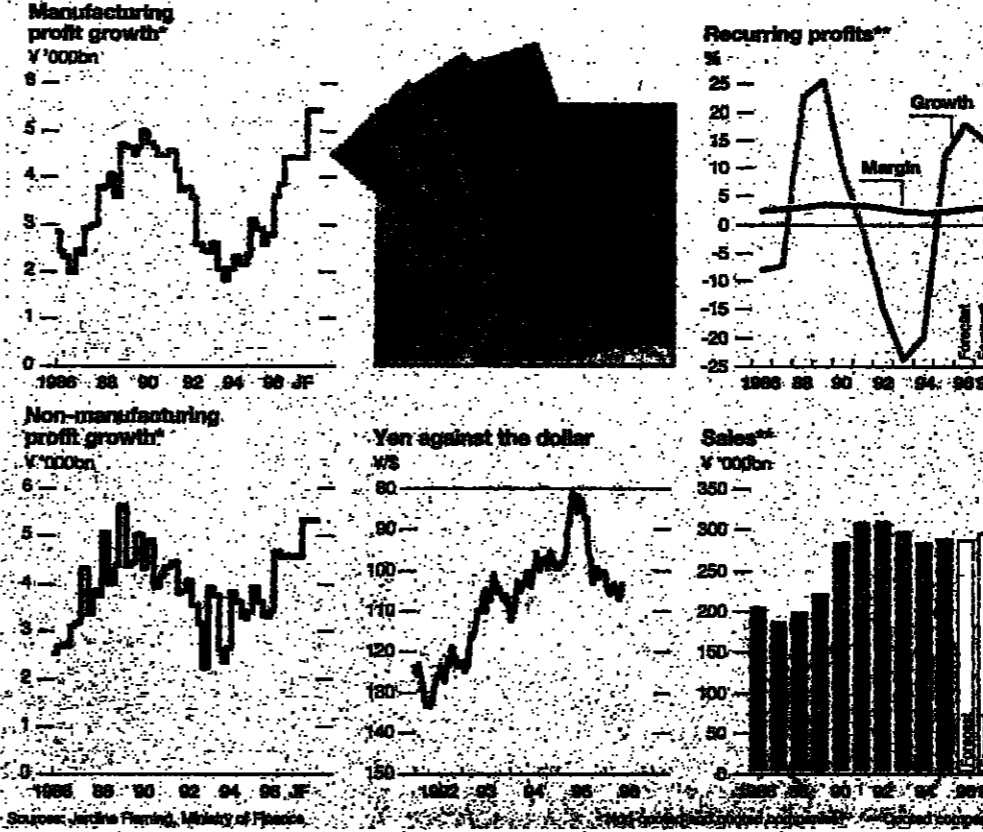
Exceptional charges could offset companies' best annual results for seven years

Secrets that could wither Tokyo's corporate display

The big question in the Tokyo capital markets is whether the Nikkei's rise last month to a four-year high - from which it has fallen slightly - will prove as ephemeral as cherry blossom or as well rooted as a tree.

The answer will become clearer over the next month when more than 1,800 Japanese companies report what will be, according to their estimates, their best annual results for seven years and make profits forecasts for this fiscal year to next March.

Another bite at the cherry



Cherry blossoms clung to the branches for longer than usual this year - and the earnings season too is expected to show staying power, proof that a cyclical recovery is well under way. But there could also be disagreeable surprises, as companies make use of the upturn to pay off hitherto hidden liabilities.

The top 400 companies will report an average 15.5 per cent increase in non-consolidated recurring profits, before tax and extraordinary items - excluding financial companies - up from an 8.7 per cent rise in the previous year, estimates Nomura Research Institute. Yamachi Research Institute is forecasting a 17.4 per cent average profits rise for all companies quoted on the main market.

Many groups, especially in the car, heavy machinery and shipbuilding industries, will point to the benefit of several years of patient cost cutting as evidence that the profits recovery is soundly based.

Wage rises in the past two years have been held at the lowest in half a century and labour costs have been constrained. This plus large companies' traditional tactic of obtaining price cuts from suppliers and increasing procurement from cheaper suppliers abroad have helped bring down break-even points.

But bears in Tokyo point to a number of negatives which could slow profits recovery.

One is the extent to which companies' success at labour cost cutting might continue to damp domestic consumer demand. The results season is unlikely to throw much light on consumers' mood. But it might provide clues to two other risks to the profits upturn highlighted by Mr Andrew Smithers, a London-based economist.

One risk is that most Japanese companies' pension schemes have yet to adjust to the fact that

adding corporate Japan's fast-expanding overseas subsidiaries, built up to escape their hard currency and take advantage of emerging east Asian markets, and the top 400 companies' consolidated profits are forecast by NRI to rise 25 per cent.

That excludes banks, which will report record losses this year because of their decision to take heavy write-offs of uncollectable debts. With banks included the overall non-consolidated profits increase comes out at a modest 3.5 per cent.

These figures are well known and reflected in share prices. What will really count in the reporting season will be any changes companies make in forecasts for the current year and any surprise write-offs they announce for the past year. Hopes are high among Tokyo stockbrokers, whose forecasts for

profits in the long term, but the inevitable write-offs have not yet been seen.

Nobody doubts that Japanese companies will report generally upbeat results with a good outlook for the year ahead. But the risk is that exceptional charges will hit earnings and make Japan's historically high price earnings ratios even more demanding than they already are. The coming results will throw a harsher light on the constraints to the profits recovery and could shake a few companies' share prices in the process.

William Dawkins

A long march for small investors in Eurotunnel

By David Owen in Calais

"If the bankers want to eat our money, we will eat the bankers." There was no doubting the feeling among Eurotunnel shareholders who yesterday descended upon Calais to protest at what they see as the shabby way they have been treated.

Mr Marc-Antoine Forest, 76, author of the above treatise, had left Montpellier in the south of France on Tuesday evening to attend yesterday's protest. He had not slept. He had bought his first 600 shares in the Channel tunnel operator, "a bit out of sentiment", for FFr87 a share. Their present price in Paris is FFr65.



But Mr Forest's predicament was far from the worst among the 300 Eurotunnel investors - and two white puddles - who boarded the 9.38 am train à grande vitesse from Paris Nord to Calais at a cost of FFr390 a ticket.

Mr Emile Azema had paid "around FFr100 a share" for his shares and has been forced to sell some for FFr20. "Lots of working people put their savings into this project. They didn't have money to throw out of the window," he said.

Yesterday's protest was organised by two separate shareholder groups formed to protect the interests of Eurotunnel's predominantly French and increasing

debt, and the creation of FFr28bn of bonds, convertible into shares at a unit price of FFr30.

Mr Maurice Page, a leading light in one of the shareholder groups - the Eurotunnel Shareholders' Association - says agreement of such a scheme would produce a "renewal of confidence", prevent the banks from losing out and enable shareholders to recoup some losses.

If the banks do not agree to a FFr30 conversion price, he says, "the shareholders will not accept anything else. I think the majority are ready to lose everything rather than lose their principles."

The alternative to a restructuring is bankruptcy. But some argue the banks have more to lose than Eurotunnel's small shareholders from such a course.

Adacts, the second - more militant - shareholder group, is considering a liability action against Eurotunnel's directors and banks, which it accuses of acting as shadow directors. "We think the only way for us to get a bit of money back is through court action," says Mr Albert Jauffret, Adacts chairman. Mr Jauffret would like Sir Alastair Morton, Eurotunnel co-chairman, replaced by Mr Richard Branson - "a real manager".

The first phase of talks between Eurotunnel and its banks began yesterday.

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SBC Warburg acted as exclusive financial adviser, underwriter and sponsor to SkyePharma PLC.

COMPANIES AND FINANCE: EUROPE

Scania tumbles 21% despite higher sales

By Hugh Carnegie in Stockholm

Scania, the Swedish truck maker floated in New York and Stockholm last month, yesterday blamed adverse currency effects and increased costs linked to the introduction of its new model range for a 21 per cent fall in first-quarter profits.

Scania B shares eased SKr0.5 to close at SKr189.50. But they were still ahead of the SKr180 offer price in April, when investor, the main Wallenberg empire holding company, sold a 56 per cent stake via an initial public offering for SKr188bn.

At similar levels to last year and remained stable in April. In Europe, a total of 8,076 Scania trucks were registered, 30 per cent more than during the same quarter last year and almost double the rise in truck registrations in the overall European market.

Most of Scania's sales continued to be for the 3-series range, which is gradually being replaced this year by the new 4-series, launched last year. But Mr Leif Ostling, chief executive, said Scania had not cut prices to keep up sales of the outgoing model.

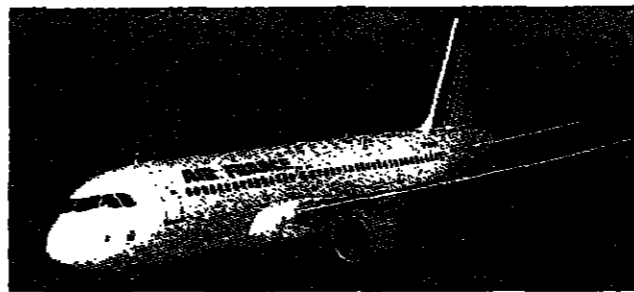
Costs, meanwhile, rose from SKr6.5bn to SKr7.5bn. Mr Ostling said 1,500 workers would be laid off later in the year as production was streamlined to only the 4-series.

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Air France Europe on a tight schedule

French carrier's domestic partner faces grim prospects if it fails to get its house in order

Air France has one-and-a-half to two years to get its house in order. Obviously the company has made significant progress, yet there is an enormous amount of work to be done.



Air France 'still has an enormous amount of work to do'

France. Their initial reactions did not bode well. For one thing, they were antagonised by the tone of some of Mr Blanc's language - in particular, what they took as the suggestion that a child of eight would understand the plight of the company, whereas some employees did not.

International passengers*

Table with columns: Airline, Passengers carried (millions), % change. Includes airlines like British Airways, Lufthansa, Air France, etc.

Domestic passengers*

Table with columns: Airline, Passengers carried (millions), % change. Includes airlines like British Airways, Lufthansa, Air France, etc.

This assessment by Mr Julius Malduits, airlines analyst at Salomon Brothers in New York, helps explain the uncompromising way Mr Christian Blanc, Air France chairman, last month spelt out the grim prospects for Air France Europe, the state-owned carrier's domestic partner, if it fails to, in Mr Malduits's phrase, "get its house in order".

The barriers to competition were not fully removed until last year, but competitors are already making serious inroads to the group's business on routes such as Paris-Marseille and Paris-Toulouse (see table). By Mr Blanc's estimate, losses would total FF1.5bn (\$251m) this year, and next if changes were not made.

For another, they expressed disappointment that they could discern no clear strategy for defending Air France Europe's market position in what Mr Blanc said: "We are under the impression that Air France has absolutely no idea what to do with Air France Europe," said a spokesman for the SNPL pilots' union. The SNPL cabin crew's union said its members were "shocked" by Mr Blanc's "alarmist plan".

month it had reduced net losses before restructuring costs to less than FF1.2bn in 1995-96 and hoped to cut this to FF1.15bn in 1996-97. It said gross operating profits had risen to FF3.7bn. The figures excluded Air France Europe.

Whether Air France emerges as the third - and in the process becomes a realistic prospect for privatisation - may hinge on the events of the next few months.

David Owen

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COMPANIES AND FINANCE: EUROPE

Schering sees 'double-digit' profits growth for 1996

By Daniel Green

Schering, the Berlin-based pharmaceuticals company, yesterday revealed mixed fortunes in product sales in the first quarter, but a good profits performance as net earnings rose 16 per cent from DM113m to DM131m (\$86.1m).

The company's financial income rose 58 per cent, from DM24m to DM38m. Operating profits, by contrast, slipped 1 per cent from DM198m to DM196m.

Prospects for the whole year were good enough for Schering to promise a return to the performance of 1994, after a relatively poor 1995. It said that profits for 1996 would "grow by a double-digit figure". In 1994, the company posted net profits of DM286m.

Turnover for the first quarter rose 5 per cent from DM1.15bn to DM1.21bn. Most of the improvement derived from non-German sales, up from DM962m to DM1.02bn. Domestic sales rose

from DM187m to DM191m. Late last year the company launched Betaseron, its multiple sclerosis drug, in Europe. First quarter sales in Europe reached DM25m in spite of a "poor start" in the UK.

The company blamed the lack of a "central" agency in charge of administering Betaseron for the UK. The drug caused some controversy in the UK as a result of its high price.

It said that a decline in

prices and financing difficulties for patients had helped slow the rate of sales growth in the US, where sales were barely changed at DM90m.

Schering added that sales of Betaseron, sold as Betaseron in the US, could fall when competition hits the market later this year. Massachusetts-based Biogen is likely to be the first to launch a competitor.

Betaseron sales might not, therefore, reach their target of DM600m a year, the company said.

There was a better performance from the fertility/hormone therapy products areas. Sales rose 5 per cent thanks to the hormone replacement therapy products, rather than oral contraceptives which have been hit by health concerns.

AgrEvo, a crop protection business run jointly with Hoechst, the German pharmaceuticals and chemicals company, contributed DM26m, after goodwill, to Schering's first quarter profits. This com-

pared with a contribution of DM14m in the same period in 1995.

Sales in the diagnostics side - principally materials for improving the quality of x-ray and body scan pictures - fell 8 per cent.

The company blamed losses in Japan partly attributable to the weakening yen. It also had to withdraw a promising new product, Isovist, last year.

Sales in Latin America showed the largest single regional increase.

NEWS DIGEST

Winterthur posts 15% rise for year

Winterthur, the Swiss insurance group, posted net profits for the year to December up 15 per cent from SF864.2m to SF1119.2m (\$389m). Gross premiums rose from SF20.5bn to SF22.3bn. The dividend goes up by SF2 to SF19. Analysts had forecast net profits of between SF145m and SF190m, and Winterthur bearer shares closed down SF4 at SF176.

Winterthur said pre-tax profits rose from SF730.2m to SF815.7m. Operating earnings at its non-life division were ahead 20.3 per cent to SF690.4m, while operating profits at its life business fell 4.9 per cent to SF256.3m.

The group said the decline in life business was "not only due to higher benefits paid, but also to larger allocations to the reserves in disability insurance." It said total financial investments rose from SF65m to SF72m, with income from overall financial operations rising from SF4.25m to SF5.19m.

Non-life business premiums rose 8.9 per cent in 1995 thanks to acquisitions, the company said. The group's life premiums rose 9.3 per cent due to growth in Switzerland, Italy and the UK. Winterthur said shareholder equity fell to SF4.6bn at end-1995 from SF4.1bn a year earlier due to an extremely strong Swiss franc and goodwill paid for acquisitions.

AFP News, Winterthur

Hochtief up at DM137m for year

By Michael Lindemann in Bonn

Hochtief, the leading German construction group, yesterday reported a 7 per cent improvement in net profits to DM137m (\$90m) for 1995, despite what it called "the worst post-war crisis" in the German construction market. It said it was "optimistic" about results for the current year.

The improved earnings are in marked contrast to those at Philip Holzmann, the larger rival group which Hochtief is wrestling to take over. Holzmann last month disclosed a surprise loss of DM360m, mainly due to problems in the property market.

Essen-based Hochtief said it

had been able to buttress its 1995 results following a 38 per cent rise in orders from outside Germany, to DM5.2bn.

"Our policy of internationalising, something we have been doing steadily over the years, has paid off," said Mr Hans-Peter Kettel, chief executive. The dividend for 1995 will remain unchanged at DM13.50.

New orders in Germany meanwhile fell 18 per cent to DM4.6bn, underlying the persistent weakness of the German construction market.

However, Mr Kettel said the present year had got off to a good start with orders rising to DM2.5bn in the first quarter, 18 per cent higher than during

the same period a year earlier. Construction output, the construction industry's term for sales, rose 3 per cent to DM2.4bn.

Overall Hochtief's construction output last year rose 6 per cent to DM11.1bn, up from DM10.5bn. Output in Germany rose 3.6 per cent to DM7.6bn while output abroad was ahead 10.4 per cent to DM3.9bn.

The group said its subsidiaries in Australia, the Netherlands and South Africa had contributed to the improved results, with unspecified profits.

Despite the improved results, Mr Kettel repeated his warnings - directed mainly at Holzmann, which it is attempt-

ing to take over - that the German construction industry would be no match for more powerful international competition unless it changed its ways.

"The big German construction companies cannot compete internationally if they remain a number of medium-sized companies, assembled under the roof of a holding company, doing mainly traditional construction activities," Mr Kettel said.

"[They] have to restructure themselves and think in new categories... in order to be able to manage a number of activities from project development to facility management."



Hans-Peter Kettel: present year off to a good start

Rabobank builds Polish stake

Rabobank, the Dutch co-operative bank which specialises in international agrifinancing, yesterday announced it had subscribed to a new share issue in Bank Rolno-Przemyslowy of Poland. It has acquired a majority 51 per cent stake in the Polish bank and doubled its capital to 40m zlotys (\$15m).

The bank, created in 1993, had a balance sheet total of 98m zlotys at the end of last year and is concentrated in the Polish food processing and agrifinancing sector. It will now be known as Rabo-BRP Polska SA. Rabobank said it intended to invest some \$100m in new branches in central and eastern Europe over the next four years.

David Brown, Amsterdam

Dividends boost at Italian insurers

By Andrew Hill in Milan

Ina and Ras, two of Italy's largest insurance companies, plan to raise their dividends by more than one-third on the back of strong increases in group profit.

Ina will propose a dividend of L56 per ordinary share, compared with L40 the previous year.

Mr Sergio Siglienti, Ina chairman, said yesterday the company was "technically ready" for the next phase of privatisation - the sale of the treasury's remaining 34 per cent stake.

Analysts believe last month's election victory for the centre-left should accelerate the sale, probably through an issue of government bonds convertible into Ina shares. A bond issue would avoid the treasury having to sell shares at a price lower than the L2,400 of the 1994 flotation. Ina's shares closed yesterday at L2,378, down L14.

Ina's net consolidated profit rose from L283bn in 1994 to L396bn (\$254m) in the 12 months to December 31 1995, helped by a 15 per cent increase in premium income to L2,971bn, against L2,580bn a year earlier.

Ina said it was still searching for a new banking partner, following the end of an earlier

agreement with Banca di Roma.

Ras, which is controlled by Allianz of Germany, plans to pay a dividend of L340 on ordinary shares and L400 on savings shares, against L250 and L300 respectively for 1994.

Ras closed calendar-year 1995 with a net profit of L319bn, up nearly 60 per cent on 1994's L201bn.

Premium income was slightly lower at L4,161bn, against L4,281bn in 1994, but the company explained that the reduction was almost entirely due to the ending of the group's energy, oil and gas insurance activities, which accounted for some L300m of premium income in 1994.

Stripping out those operations, the group said non-life premiums had risen by 8 per cent in the year, and life assurance by 2.2 per cent.

Ras also announced a reshuffle of management, promoting three of the company's general managers - Mr Mario Greco, Mr Salvatore Mitallo and Mr Pierluigi Riches - to managing director, each in charge of a different business area.

The company said Mr Giulio Bassegio and Mr Attilio Lentati would give up their role as joint managing directors while retaining the post of joint chief executive alongside Mr Angelo Marchio, chairman.

Teleshopping set to grow in Germany

By Frederick Stüdemann in Munich

Home Order Television, Germany's first television shopping network, which launched last October, yesterday said it expected turnover in 1996 to reach DM65m (\$43m) and that it would start making operating profits in 1996.

The network, which is jointly owned by the Quella mail order group, Mr Thomas Kirch and Mr Georg Köfler, said it expected to have fully paid off initial investment costs of DM100m by 2000.

Mr Andreas Btschelhoff, joint chief executive, said that in the long term he expected turnover to settle down at about DM500m. "That is where we see the saturation point," he said.

The network is a pioneer in the German television industry, which is undergoing considerable upheaval in the approach to possible liberalisation and the arrival of digital pay-TV.

Teleshopping is considered particularly attractive, given the popularity of mail order shopping in Germany, which has prompted retailers, such as Quella, to move into television.

Rewe, the high street retailer, this year bought a 40 per cent stake in the Pro Sieben network from Mr Kirch and Mr Köfler.

Foreign companies, such as the US-based network QVC, are also looking at the German market.

The growth of teleshopping has been hampered, however, by legal restrictions which limit television shopping to one hour a day on commercial networks, and which strictly speaking do not allow net-

works devoted wholly to teleshopping.

HOT, however, was able to convince the licensing authorities in Bavaria that it was not so much a broadcasting network as an "audio-visual catalogue".

Other regional states are now following Bavaria's lead and a reform of the state's Broadcasting Treaty, under which the Länder administer broadcasting in Germany, is expected to bring further liberalisation.

At present HOT can be received by 4m households through cable and satellite distribution.

The network said it would expand distribution in the coming year into Austria and Switzerland.

Within Germany, it has signed distribution agreements with several local networks for the transmission of daily one-hour segments which can be received by about 7m people.

In its first six months of operation, the network said it had found many previous assumptions about teleshopping to be false.

"Many people thought it would be primarily something for women, but in fact nearly half - 47 per cent - of our sales are made to men," Mr Btschelhoff said.

Furthermore, product groups believed to be more attractive to female customers - such as jewellery and household goods - were in sales terms split almost equally between the sexes.

Mr Btschelhoff said that, in general, German viewers did not respond to the hard-sell techniques popular among US teleshopping networks.

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COMPANIES AND FINANCE: ASIA-PACIFIC/INT'L

SA banks warn despite progress at halfway stage

By Mark Ashurst in Johannesburg

First National Bank and Nedcor, the South African banking and financial services groups, yesterday reported solid growth for the six months ended March 31.

However, both groups predicted a slower rate of asset growth for the second half, citing the decline in consumer confidence, slackening demand for credit and the prospect of higher costs and interest rates after the recent sharp falls in the rand.

First National posted a 13 per cent rise in pre-tax income, from R662.9m in the first half of 1995 to R811.3m (\$155.2m). Earnings per share rose 17.5 per cent to 103.5 cents. The dividend was raised by one-third, to 20 cents a share.

Analysts said the results were below expectations. "Most analysts were looking for at least 19 per cent on earnings, if not somewhere in the early twenties," said one.

Mr Barry Swart, managing director, said the increased dividend corrected the proportional imbalance between the interim dividend and the year-end dividend, which was 66 cents a share at September 30 last year.

The charge for bad and doubtful debts rose 42.1 per cent to R256m, against R180m, of which 32.5 per cent was owing to the incorporation for the first time of FirstPret

Finance. First National's vehicle financing arm.

Net interest income rose 24.8 per cent to R1.7bn. Total assets were up 20.5 per cent to R22.5bn but had risen only 6.7 per cent, or R5.2bn, since September 30 last year.

Nedcor reported a 32 per cent rise in pre-tax income, from R546m to R718m. Earnings per share increased 24 per cent to 210 cents, and the dividend was 25 per cent higher at 45 cents a share.

Analysts said the results were broadly in line with expectations, although final results in September were now unlikely to exceed forecasts of 25 per cent earnings growth.

Mr Richard Laubscher, chief executive, said the results reflected "a solid all-round performance, despite a cautionary build up of bad debt provisions for new business activities". Earnings had grown an average 20.3 per cent over the past three years.

The ratio of expenses to total income for the period was 62.8 per cent, compared to 65.5 per cent last time. The group intends to reduce costs to achieve a ratio of 60 per cent within three years.

Net interest income increased 21 per cent to R1.4bn as margins came under pressure from higher interest rates in the money market.

Total assets increased 23 per cent to R79.1m, a rise of 9 per cent since the end of fiscal 1995.

NEWS DIGEST

Malaysia seeks steelmaker rescue

Malaysia is considering proposals from four private companies to rescue the state-owned steelmaker Perwaja Terengganu, which borrowed heavily and has been suffering high operating losses. Mr Anwar Ibrahim, deputy prime minister and finance minister, said the four companies were Renong Berhad, Westmont Industries, Lion Corporation and the Maju Group. All are highly-diversified, with close government contacts. Mr Anwar gave no details of the proposals. Perwaja is under finance ministry control while it is being audited.

Steel industry analysts said the government had not yet decided what form the private participation in Perwaja might take. The most likely option was that one or two of the interested companies would take an equity stake alongside a remaining state holding, analysts said.

Estimates of Perwaja's debt range from about 5.7bn ringgit to 6.8bn ringgit (\$2.2bn-\$2.7bn), much of it owed to foreign financial institutions and denominated in yen. Accumulated operating losses are 2.5bn ringgit. Analysts said the government would probably pay off Perwaja's debt to make the steelmaker more tempting to private sector suitors, but would leave its accumulated losses because 30 per cent of these could be claimed as tax deductions on earnings.

Perwaja, with some 4,000 workers, manufactures a range of steel products used mainly in construction. Demand for its products seems assured because of 91 government projects worth an estimated 163bn ringgit between 1995 and 2000, but operating costs are high.

James Kynge, Kuala Lumpur

Indonesian tin miner up sharply

Tambang Timah, Indonesia's integrated tin mining company, saw net profit in the first quarter increase about 90 per cent on the same period a year earlier, on higher average prices for tin and increased sales volume.

Net profit rose to Rp39.4bn (\$16.9m) in the first quarter from Rp20.64bn a year earlier, while sales advanced 26 per cent to Rp136bn. The average tin price in the period increased from US\$5,825 a tonne in the comparable 1995 period to US\$6,299 a tonne, while first-quarter sales volumes rose from 8,400 tonnes to 9,330 tonnes.

The first-quarter net income figure compares with Rp69bn recorded in the fourth quarter last year, but this included a one-time extraordinary gain on the sale of assets. Timah's production costs are expected to increase this year, but analysts say this is unlikely to have a significant impact on earnings growth as world prices and demand for tin are set to harden.

A rise in production costs is attributed to increases in capital expenditure as the company starts exploration for diamond mining on the island of Kalimantan and gold mining in Sumatra.

A company official predicted that costs would rise to US\$4,459 a tonne, against US\$4,210 a tonne last year. Analysts noted that production costs were also slightly higher in the first quarter as Koba Tin, in which Timah has a 25 per cent stake, started operating its own tin smelter. This took about 1,700 tonnes out of Timah's smelter output, leading to a "slightly lower utilisation rate and therefore higher production costs", said one Jakarta-based analyst.

Manuela Saragosa, Jakarta

Australian brewer in Vietnam deal

Power Pacific, the Australian brewer, has signed a \$276.5m joint venture contract with Vietnam's largest brewer to build a plant near Ho Chi Minh City in southern Vietnam, its second brewing venture in what has fast become a competitive market. The joint venture company, known as Saigon Power Brewery, would be owned 61 per cent by Power Pacific with the rest held by Saigon Brewery, a state-owned company that produces the "383" brand originally brewed by the French earlier this century.

Power Pacific said the brewery would be completed in 1998, when initial output should be about 150m litres, rising to 300m litres.

The company puts annual beer consumption in Vietnam at about 6 litres a head, and anticipates an annual growth rate of 20 per cent. Saigon Power Brewery planned to produce "an international premium brand" in addition to Saigon Brewery's existing range. The official said Power Pacific was negotiating with Anheuser-Busch, the US brewer, about involvement. Anheuser-Busch produces Budweiser beer.

The Australian company was also talking to other international brewers about taking a debt or equity position in the project. It has one other brewery in Vietnam, a small plant, also in Dong Nai province, producing about 20m litres of draught beer annually.

Since the Vietnamese brewing sector started to attract foreign investment in 1993, the number of foreign and local brands produced has soared. Foreign arrivals include Carlsberg, Tuborg, San Miguel, Tiger and Guinness. As a result, some industry analysts question whether there is scope for more foreign investment.

Jeremy Grant, Hanoi

Westpac divests Victoria operations

By Nikki Tait in Sydney

The shake-out in Australia's banking sector took a fresh twist yesterday when Westpac, one of the four big commercial banks, sold the Victorian operations of its recently-acquired Challenge Bank subsidiary to Bank of Melbourne.

Bank of Melbourne, which is listed and heavily oriented towards the consumer and home loan markets, is one of the declining band of regional banks left in the sector, and has itself been the target of takeover speculation.

It said yesterday it had agreed to buy Westpac net asset value for the Victorian assets and liabilities, plus a premium of A\$69m (US\$55.2m), representing goodwill. "It is estimated that the total purchase price will be approximately A\$800m," it said.

Westpac made a successful A\$689m bid for Challenge's shares last year. Challenge is based in Perth, and Westpac was widely viewed as being primarily interested in increasing its presence in Western Australia.

Yesterday, Mr Bob Joss, Westpac's managing director, said the sale was "consistent

with our strategic objective of concentrating on Challenge's regional WA strength".

"It also represents a good return for our shareholders and ensures focus on the integration of our WA business," he added.

The business that Westpac is selling includes retail and commercial assets of about A\$1.3bn and deposit liabilities of A\$503m, and comprises 22 branches. It has some 132,000 customers and 241 employees.

Bank of Melbourne said the deal would lift its share of lending in Victoria to 10.1 per cent, compared with 8.4 per cent at present, and its share of deposits from 10.4 per cent to 11.1 per cent. It will fund the deal from cash reserves and from an A\$205m medium-term note issue.

Mr David Airey, chief executive at Bank of Melbourne, said he expected the deal to add about A\$15m in pre-tax profits in 1996-97, and lift total assets at Bank of Melbourne to more than A\$10bn.

Shares in Bank of Melbourne remained steady on the news at A\$7.10, while Westpac - which is due to report interim results next week - eased A\$6 to A\$5.82.

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Table with columns: Price for electricity delivered to the purchaser, Price for electricity delivered to the purchaser, Price for electricity delivered to the purchaser. Includes various numerical data points.

Brown Boveri advertisement. Text: 'BROWN BOVERI. Notice to shareholders and bondholders. Bearer shares with a nominal value of Sfr 100 Registered shares with a nominal value of Sfr 20 3 1/2 % bond issue (ex warrant) 1987-99 to the value of Sfr 148 million 3 1/2 % bond issue (ex warrant) 1989-2000 to the value of Sfr 150 million 4% convertible bond issue 1990-98 of Sfr 150 million. As proposed by the Board of Directors, it was decided at the Annual General Meeting of May 2, 1996 to change the company's name from BBC Brown Boveri AG to ABB AG. The change was made to reflect the unity of the ABB Group. It also makes it clear to investors that investing in shares of the company corresponds to a participation in the international ABB Group. Because of the change, from May 9, 1996 all bearer and registered shares, and all outstanding bonds will be listed on the Zurich, Basle and Geneva exchanges under the name of: ABB AG (formerly BBC Brown Boveri AG) Baden. All security numbers will remain unchanged. Physical securities will not be exchanged or stamped. Zurich, May 9, 1996 On behalf of: CREDIT SUISSE. Bearer shares with a nominal value of Sfr 100 Registered shares with a nominal value of Sfr 20 3 1/2 % bond issue 1987-99 to the value of Sfr 148 mio. 3 1/2 % bond issue 1989-2000 to the value of Sfr 150 mio. 4% convertible bond issue 1990-98 to the value of Sfr 150 mio. Security number ISIN 062 602 062 801 CH 000 062 801 7 120 978 CH 000 120 978 9 120 980 CH 000 120 980 5 120 981 CH 000 120 981 3'

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COMPANIES AND FINANCE: THE AMERICAS

Berkshire lifts size of offer for third time

By Maggie Urry
in New York

Berkshire Hathaway, the insurance and investment group chaired by Mr Warren Buffett, has increased the size of its B share offer for the third time, in an attempt to meet all demand for the shares.

Salomon Brothers, the underwriter, has an option over a further 15 per cent or 67,300 shares.

Also yesterday, it was revealed that Berkshire had filed a plan with the Securities and Exchange Commission to sell some or all of its holding of 368,000 Series A convertible preferred shares in USAir, the troubled airline.

Berkshire's B shares will be priced at about 1/30th of the A shares, which yesterday morn-

ing were trading at \$38,000, down \$1,900 after rising sharply on Tuesday. The issue would raise some \$500m for Berkshire, excluding the Salomon option.

However, it would increase the group's share capital by only 1 per cent.

At the group's annual meeting on Monday, Mr Charles Munger, vice-chairman of Berkshire, characterised the issue as a "no-event".

Regarding the USAir position, Berkshire's filing said it would offer the shares to USAir itself.

If the airline did not buy them, Berkshire would be free to sell some or all of the shares at a price at or above that offered to USAir for a period of up to 90 days.

USAir said yesterday it had received the letter and would be responding. Berkshire has promised it would not knowingly sell the shares to anyone who would hold more than 3

per cent of USAir as a result.

Berkshire paid \$35m for the USAir preferred stock in 1988. After years of losses, Berkshire wrote the investment down to \$39.5m in its 1994 accounts.

A return to profitability by USAir in 1995 allowed Berkshire to write the holding up again, to \$215m. At Monday's meeting, Mr Buffett said the investment "looks considerably better than it did 18 months ago, but the fundamental problems are there".

Cyberbankers set to invade the Internet

Web sites are being set up to help small companies raise money, writes Lisa Bransten

A few weeks ago Mr Andrew Klein was a former corporate lawyer trying to build up a small brewing company in Manhattan. Then his Spring Street Brewing conducted its initial public offering over the Internet, and hundreds of tiny companies flocked for advice about raising capital in cyberspace.

Now he has formed Wit Capital Corporation - named after Spring Street's Wit beer - which he hopes to develop into a full-service investment bank offering underwriting and investing services on the Internet.

He is not alone. In Albuquerque, New Mexico, Mr Michael Weinstein and Mr Jack Ben Ezra hope to use the Internet to raise money for, among others, a start-up that builds housing for the elderly and a company that raises hydroponic tomatoes.

In California, Direct IPO

plans to offer shares in Internet businesses, and Scor-Net has launched a Web site that will list small companies seeking investors.

Mr Steven Wallman, a member of the Securities and Exchange Commission and a champion of the benefits of technological innovation, does not think Internet offerings will replace the Wall Street variety, although he believes they could provide opportunities for little companies seeking relatively small amounts of capital.

Spurring the process is the growing use by entrepreneurs of direct public offerings through a special SEC programme, and through state-registered Scors (small corporate offering registrations), both of which allow companies to raise a limited amount of money by selling shares directly to the public.

Mr Clay Wozniak, a private investor and fund manager in

E-Trade Group, a US electronic brokerage firm that offers share trading over the Internet, announced late on Tuesday that it planned to file a registration for an initial public offering by the end of June, writes Lisa Bransten in New York. This could herald one of the biggest IPOs over the Internet.

The broker has said it might underwrite at least a portion of its own IPO. Securities and Exchange Commission restrictions prevented the company from disclosing more details.

Recent IPOs of Internet related companies have been valued at three to 12 times forward revenues, according to Mr Jonathan Cohen, an analyst at Smith Barney. That puts the value of E-Trade, which had revenues of nearly \$10m in the fourth quarter of last year, at about \$50m.

E-Trade was founded in 1991 by Mr Bill Porter, a physicist who was led in to on-line broking through his interest in getting stock quotes from his computer. It began offering on-line trading in 1992, mostly through on-line services such as America Online, and this year it began offering trading over the Internet.

California, launched the Scor-Net Web site as a resource for small businesses in August. Later this year, he hopes to begin listing corporate offerings registered under the Scor programme for an initial fee of \$350 plus \$500 a quarter.

Scor-Net is being developed with state regulators as a non-profit entity, and has asked the SEC to review its plans. Consumer Services of California, the financial services database that is sponsoring Scor-Net, will not make claims about the authenticity of any company listed on the site, but it is only available to state-registered offerings.

Wit Capital, Direct IPO and the Ben Ezra-Weinstein group all plan to perform some due diligence in exchange for much higher fees or a percentage of the capital raised.

None of that guarantees fraudulent companies will not find their way on to the Internet, but Mr Wallman thinks the Internet's open nature makes it a difficult environment for fraudsters.

Risky ventures are another story. By their nature, capital-poor companies with no record are always a gamble. Mr Tom Stewart-Gordon, who monitors small offerings as publisher of Scor-Report, says that the deals work best in rural areas where everybody knows the people starting up the business.

"The Internet is a great source of information, but you don't have analysts monitoring the companies and that is a problem," he says. There is a populist tone to

the ideas of these would-be cyberbankers, who want to provide main street investors with a way in to companies that are usually only available to large institutions and rich venture capitalists.

In recent IPOs for companies such as Netscape Communications, the Internet software maker, and Yahoo!, the Internet guide, large institutions got most of their share allocations from the investment banks and many were able to

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News Corp shares slip in response to earnings fall

By Nikki Tait in Sydney

Shares in Mr Rupert Murdoch's News Corporation fell almost 3 per cent yesterday after the media and entertainment group announced a sharp decline in after-tax profits for the three months to the end of March - from A\$251m (US\$200m) in the period a year ago to only A\$77m this time. The fall, however, was mainly caused by a A\$204m abnormal item - compared with a A\$40m charge last time - resulting from losses on the sale of the educational book-publishing interests to Pearson, which owns the Financial Times, for US\$575m in February.

The lower third quarter result brought the profit after tax and abnormal for the first nine months of the financial year to A\$77m, compared with A\$1.07bn in the first three quarters of 1994-95.

Before abnormal, third quarter profits were also lower - but by a much more modest 3.4 per cent. News made A\$281m, down from A\$291m in the third quarter of 1994-95. This left the nine-month profit figure at A\$944m, compared with A\$964m previously.

Revenues for the third quarter were up from A\$2.89bn last time to A\$3.05bn and for the nine months down from A\$8.97bn to A\$9.83bn. Earnings per share after nine months, before the abnormal charges, were down from 33 cents a year ago to 30 cents.

News said most of its business divisions posted gains. There was a strong performance by the film unit, which saw third quarter operating profits rise from A\$4m a year ago, to A\$63m - helped by good box office returns for *Waiting to Exhale*, *Broken Arrow* and *Braveheart*.

The newspapers division also

held steady overall, at A\$117m for the quarter - from A\$116m - despite absorbing the large paper price increases. In the UK, the newspaper interests posted an 8 per cent improvement in operating profits, but the Australian business fell 4 per cent.

There was a weak performance by the TV division, where third quarter profits slipped from A\$113m in the third quarter of 1994-95 to only A\$77m this time. News said this reflected lower earnings at both Fox Broadcasting in the US, where higher licence fees and promotional costs cut margins, and at its Hong Kong-based Star TV business.

Third-quarter interest charges rose A\$140m to A\$160m.

The size of the abnormal item surprised some analysts, as did the weakness on the television side. News shares closed down 19 cents at A\$7.01.

NEWS DIGEST

Reliance net profit up 22.6% for year

Reliance Industries, India's largest private sector enterprise, recorded a 22.6 per cent increase in net profit to Rs13,058m (\$378m) in the year ended March 31, against Rs10,658m last year.

The textiles and petrochemicals conglomerate reported record total income of Rs80,658m this year, up from last year's Rs73,318m. Sales increased from Rs70,198m for the previous financial year to Rs77,868m. Operating profit rose from Rs16,238m to Rs17,528m and cash profit from Rs13,438m to Rs16,428m. Profit available for appropriation for the current year was up from Rs11,278m last year to Rs13bn.

The directors recommended a total dividend payout of Rs2,768m for the year, the largest in the Indian private sector. Reliance Industries is one of the most widely-owned companies in the world, with more than 2.6m shareholders. The company's net worth stood at Rs94,058m and total assets at Rs150,388m.

Reliance is setting up a 15m tonnes a year oil refinery at Jamnagar in Gujarat at a cost of Rs870m to supply liquefied petroleum gas, naphtha, gasoline, kerosene, diesel and other important petroleum products to its own petrochemical plants, and eventually for the domestic market. This is part of the company's strategy of vertical integration, under which it aims to be involved in the entire value-added chain - from oil production to the retailing of a variety of petroleum products to textiles. The company is also diversifying into new sectors, including energy, infrastructure and natural resources.

Shiraz Siddhu, New Delhi

Wesfarmers dips at nine months

Wesfarmers, the Perth-based energy and rural products group, has announced a 27 per cent fall in profits after tax during the first nine months of 1995-96. The company said yesterday that it made A\$64.5m (US\$51.6m) in the nine months to the end of March, down from A\$88.5m in the same period a year ago.

It blamed the downturn on the depressed wool market, the drop in beef cattle prices and the slowdown in the house-building sector. Wesfarmers acknowledged that demand for fertilisers and chemicals was likely to be stronger in the final quarter of the current year, but said directors had again downgraded estimates of full-year profits. Shares in the group fell 12 cents to A\$7.75.

Nikki Tait, Sydney

James Hardie to close unit

James Hardie, the Australian building materials group, warned yesterday that the proposed sale of its international contracting business had fallen through, with the result that the operation will now be closed down. It expected the closure to result in an abnormal charge of A\$8m (US\$4.8m), bringing total abnormal charges in the year to March to A\$27m.

Nikki Tait

Ampolex snubs Mobil arm's bid

Ampolex, the Australian energy group facing an unwanted A\$1.5bn (US\$1.2bn) bid from an offshoot of Mobil, the US oil giant, yesterday formally rejected the terms, saying the offer "does not recognise Ampolex's strong growth record and immense potential, let alone its specific value to Mobil". It has sent shareholders an "independent valuation report" by Grant Samuel, which puts the value of Ampolex shares at between A\$4.44 and A\$5.91. Mobil is offering A\$4.25 a share.

Nikki Tait

India's NSE builds stock list for automated system

By Mark Nicholson in New Delhi

India's National Stock Exchange is canvassing local and foreign financial institutions to determine a list of the first 100 Indian stocks to be admitted to what the Bombay-based exchange hopes will become the country's first automated share depository.

Mr R.H. Patil, NSE managing director, believes the exchange will have a software package ready by September and could begin automated, book-entry share settlement operations in October, provided India's next government does the necessary legal groundwork in time.

He said the list of the first 100 stocks would be complete by next month. Mr Patil said the NSE, which is partnered in the depositories venture by the Industrial Development Bank of India, the country's biggest

term-lending institution, and the Unit Trust of India, the biggest mutual fund, were "eight to nine months" ahead of rival consortia aiming to establish depositories.

Creation of a share depository to supersede the cumbersome, costly and erratic system of paper-based trading and settlement is expected to do more than any other single reform to improve the efficiency of Indian equity markets. It is also likely to trigger much bigger inflows of foreign portfolio investment, notably from US-based funds.

The government issued an ordinance last year permitting a system of multiple depositories. This since lapsed and would have to be renewed by India's next government, being decided in elections this week, and put into law by the new parliament. Market officials foresee no political opposition.

In the meantime, Mr Patil said the NSE, which began operating as a rival to the Bombay Stock Exchange in 1994 and is owned by 20 Indian financial institutions, had shortlisted two technical suppliers from Sweden and Belgium for the depository.

Mr Patil also said the NSE had written to the biggest equity market participants asking each which stocks they would like to see as part of a start-up depository. He said that only 100 stocks would be admitted initially, but added: "We hope this will nevertheless be able to cover 50 per cent of the stock float in the market."

In the past year the NSE has risen in the last year to become India's chief equity exchange. In the past six months NSE volumes had surged to average three times those of the Bombay Stock Exchange, Mr Patil said.

Sony charts course for its brave new world

The group is focusing on hardware but building a digital role, says Michio Nakamoto

Sony, the consumer electronics group which celebrated its 50th anniversary on Tuesday, is beginning to write the next chapter in its history. The Japanese group is busy re-shaping itself to ensure its success in a vastly different business environment.

Earlier this year Mr Nobuyuki Ide, a year in to his job as Sony president, outlined the corporate vision - a company that will "fulfil the dreams of the digital era". Soon afterwards, he announced a shake-up of the group to achieve that vision.

Sony has also agreed an alliance with Intel to enter the PC market, has joined an industry-wide alliance to standardise technology for digital video disks and is restructuring its US films operations, removing its former US chief, Mr Mickey Schulhof, in the process.

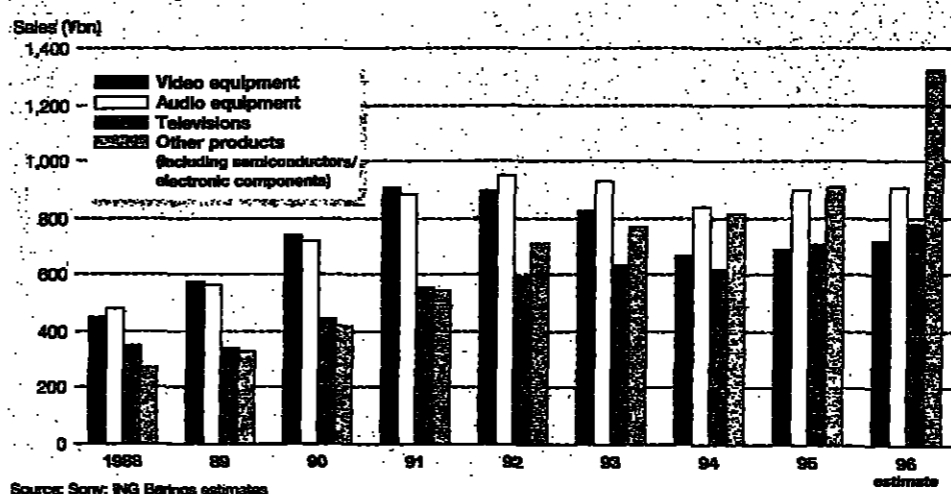
The flurry of activity suggests Sony is coming to grips with its role in the changing world of consumer electronics. During the past few years, it had looked like a company that had lost its way.

Problems at Sony Pictures Entertainment, its US film subsidiary, which has suffered falling sales over the past two years, resulted in a goodwill write-off. It also had to bend to a compromise after a public argument with Toshiba of Japan and consumer electronics groups over the digital video disc standard.

These were the more conspicuous signs of the difficulties facing Sony but at their root were the significant changes occurring in its main consumer electronics markets.

Large, lucrative markets, which once seemed to have an insatiable appetite for new electronic goods, have become battlegrounds for brutal price-cutting. At the same time,

Fields of digital dreams



analogue technology - long the basis for consumer electronics products - is increasingly being replaced by digital technology.

To support an organisation of such size, Sony has struggled to keep production up at all costs.

To do so, it adopted an aggressive pricing strategy that earned it notoriety among competitors. Sony "drove prices [of laser disc/CD players] so low... that any sense of quality premium that the Sony brand enjoyed in the Japanese market was all but extinguished," says one analyst.

While the problem of weak prices persists, particularly in the mature audio market, the environment is looking decidedly better for Sony.

The consumer electronics market is expected finally to start expanding again with the emergence of new multimedia products, such as digital video disc and multimedia PCs, based on digital technology.

Sony is no longer on the defensive and claims to have identified its role in the multimedia age. The focus of management energies has, understandably, been on the hardware business, which still generates more than 80 per cent of revenues.

Mr Ide's call to become a company of "digital dream kids" that will satisfy the desires of other "digital dream kids" provides the strategic vision while the latest restructuring offers the framework to achieve that goal.

The shift to digital broadcasting in the US and Europe, for example, "will affect our way of making products in very fundamental ways," points out Mr Ide. To cope with such changes, Sony is "building a structure that can deal with the shift to digital technology," he explains.

The strong emphasis on components is part of that structure. Even in the new markets, the ability to cut production costs by sourcing important

components in-house will be a crucial determinant of success, says Mr Masashi Kubota, industry analyst at ING Berings in Tokyo.

Sony's particular strengths in encoder/decoder technology, disk drives, optical pick-ups and lithium ion batteries strengthen its ability to become a leading provider of digital products.

Meanwhile, rather than pursue elusive synergies between its hardware and software business, the company is now "simply trying to establish a stable profitable organisation in each of its key businesses: electronics, music and films," Mr Kubota says.

The film business is being restructured to concentrate on generating profits through reliable projects, such as TV programmes, rather than high-risk, high-budget movies, analysts note. Its music business has generally provided stable profits.

The greatest test of Sony's success in fulfilling its digital dream is likely to come through its alliance with Intel to produce a PC for home use.

As PCs increasingly become household items, Sony sees an opportunity to enter the home PC market. Since most people find it difficult to use today's PCs without intensive instruction "it is inconceivable that PCs will enter the home in their present form." Mr Ide believes. "We hope to make PCs that people can enjoy."

Given the strong reputation it has built in the past 50 years, Sony seems well placed to succeed in the multimedia world. But the further it goes beyond its traditional borders in search of its digital dream, the more daunting the competition it faces from unfamiliar rivals.

Indosat posts 8.7% rise in opening quarter

By Manuela Saragosa in Jakarta

Indosat, the Indonesian state-controlled international telecom carrier, lifted 1996 first-quarter net profit by 8.7 per cent, boosted by an 18 per cent increase in its international traffic volume.

Net income in the quarter totalled Rp114.6bn (\$49.2m), compared with Rp105.5bn last time, while operating revenues increased from Rp238.8bn to Rp278.1bn, with 14.8 per cent of

the advance coming from international telephone revenues.

Indosat's first-quarter traffic figure was slightly skewed by the inclusion of telephone traffic at special rates between bordering cities, such as Batam island, off Sumatra, and Singapore, which accounted for about 3m of the 134.7m minutes in total international traffic in the first quarter.

Net of this figure, international traffic grew by just over 15 per cent, which is consistent with Indosat's traffic growth

for the whole of 1995.

The company's results came in slightly above market expectations, but there is still concern about the amount of market share Indosat is losing to Satelindo, a global system for mobile operators. It competes with Indosat in providing international direct dial services, although Indosat does have a minority stake in the system.

Indosat estimated that underlying growth in international telephone traffic for the whole market was about 24 to

25 per cent, implying Satelindo's market share gained between 8 and 10 per cent in the first quarter.

Satelindo's market share in 1995 is estimated to have been 7.7 per cent. Indosat's expectation is that by the end of this year Satelindo will have between 10 and 12 per cent of the market.

Indosat is also selling 2.5 per cent of its minority stake in Telkomsel, a GSM mobile phone operator in which PTT of the Netherlands recently

acquired a 17.3 per cent holding for \$304m.

It expects to raise between \$40m and \$50m to prepare financing of the new PCS/FCH - high frequency - cellular ventures.

Meanwhile, Telkomsel's GSM service is due to be launched in Jakarta - the main market for GSM cellular services - in June this year. Indosat estimates Telkomsel's subscribers will rise to 120,000 at the end of 1996, compared with 55,000 nationwide currently.

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Marketing plans and loyalty card aimed at regaining market share

Sainsbury's 22-year run ends

By Christopher Brown-Humes

J. Sainsbury yesterday announced its first fall in underlying profits in 22 years as a public company. But the supermarket group said it aimed to recapture lost market share with new marketing initiatives and a loyalty card.

The group, knocked off top slot by Tesco in the last year, said pre-exceptional profits fell from £208m to £74m (\$1.15bn) in the year to March 9. Relief that the figures were not worse and the promise of a fightback helped the shares rise 15p to 372p after a long period of underperformance.

The centrepiece of the fightback will be a loyalty card, reversing the group's staunch opposition to the concept and acknowledging the successes achieved by Tesco and Safeway with their versions of the card.

The group said it was strengthening management by appointing a chief executive of new businesses and said it would step up the conversion of its 1,500 DIY stores to its successful Homebase concept. "These initiatives suggest the

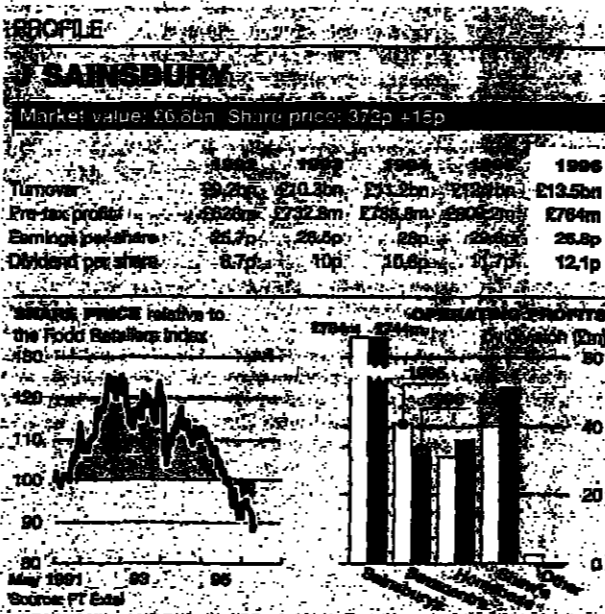
group has regained some of the sense of direction which has been lacking over the last year," said one analyst.

Sainsbury's market share has slipped from 12.6 per cent to 12.5 per cent, while Tesco's has surged from 12.4 per cent to 13.9 per cent.

While Tesco saw UK like-for-like sales rise 8.9 per cent last year, Sainsbury's sales climbed only 2.6 per cent. Tesco has gained a reputation for being more dynamic and innovative in a mature market, with its highly successful Clubcard attracting 8m users.

Mr David Sainsbury, chairman, admitted the group had made mistakes. He said it had not moved quickly enough to get out a loyalty card in the right form.

The market was relieved that Sainsbury was attempting to regain market share with a loyalty card rather than cutting prices further. The group did not say how the card would work but said it would be launched within two months. A credit card would follow. Sainsbury warned trading remained "extremely competi-



and expected no early improvement in its gross margin, which fell 0.7 percentage points in the second half of last year. Like-for-like sales rose only 3 per cent in the opening weeks of the current year - well below the 7 per cent achieved by Tesco. The group said it had not regained market share despite price promotions since January, but it had stabilised its position. *Lex, Page 16*

Royal Bank plans to increase its diversification

By George Graham and Ralph Atkins

Royal Bank of Scotland aims to make 20 per cent of its profits from new businesses outside its traditional banking and insurance core by 2000.

Mr George Mathewson, chief executive, announced the goal yesterday as the group reported profits up by 11 per cent at £301m (£455m) before tax in the six months to March 31.

The improvement was achieved despite a sharp fall in profits from Direct Line, the telephone insurance sales subsidiary. After a decade of growth, its profits fell from £45m to £5m.

Direct Line blamed bad winter weather, particularly in Scotland and the north of England. But it also said downward pressure on premiums had lopped £23m of its profit figures. Mr Mathewson predicted a "return to substantial profits in due course".

Despite the Direct Line setback, Mr Mathewson said RBS could repeat its success in markets such as credit cards and telephone sales of mortgages and deposits.

"We believe we can do well despite, and indeed because of, our limited market share. Companies with large market shares and high margins will find it difficult to compete with new entrants because of the damaging effect on their bottom line."

New businesses such as Direct Line's range of mortgages and deposit products sold over the telephone, the Ilos electronic payments network or a direct motor insurance venture in Spain contributed £20m.

The traditional banking business provided the strong core to the first-half performance. Profits from UK banking rose 23 per cent to £246m, while the contribution from Citizens Financial, its US retail banking side, almost doubled to £97m.

LEX COMMENT

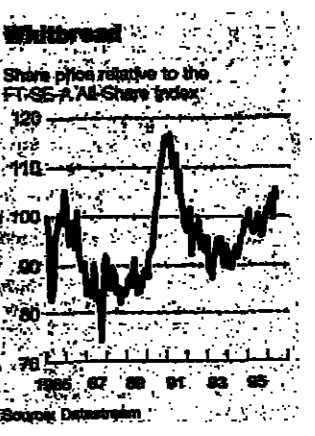
Whitbread

There may be few signs of a pick-up in UK consumer spending to drive profits at Whitbread's pubs, restaurants and hotels, but its aggressive capital expenditure programme is doing the trick instead.

Returns on investment in new or refurbished pubs and restaurants significantly exceed the cost of capital, with pubs generating annual returns of between 15 and 17 per cent. Capex is due to rise from £345m to more than £400m this year, and this should drive profits further. Of course, Whitbread has led the rush to develop new pub concepts, and as competitors catch up, there is a risk that returns will come under pressure.

But with consumers feeling the benefits of tax cuts and building society pay-outs, the outlook remains positive. Whitbread should derive a third of profits from pure leisure businesses this year, but the unfashionable brewing operations provided the unexpected cheer yesterday. Second half brewing profits grew by about 15 per cent, with prices to both pub operators and retailers finally stabilising. Carlsberg-Tetley is set to add to the surge of consolidation in brewing, so the outlook for pricing is increasingly favourable.

Even so, Whitbread is trading at an 11 per cent premium to the market average p/e ratio for the current year. This is roughly in line with Bass and Scottish & Newcastle, yet its profits growth is likely to be slower. S&N is pushing through cost savings from its Courage acquisition, while Bass's pub estate is in dramatic catch-up mode and the purchase of Carlsberg-Tetley could further enhance earnings. Whitbread's competitors look better value.



Panel attempts to clarify Lucas plans

By Tim Bart

The Takeover Panel yesterday tried to defuse the bid speculation over Lucas Industries by persuading the automotive and aerospace equipment manufacturer to issue a statement denying that its talks with Varty Corporation of the US could lead to a takeover of the UK group.

Shares in Lucas fell 6 1/2p to 227p after the company said its discussions were not expected to prompt a bid by Varty, North America's largest brakes manufacturer.

Earlier this week, the two companies said they were in talks that could lead to a full merger or strategic combination of some businesses. Varty and Lucas yesterday denied that the US group had ever contemplated a takeover bid.

The panel, however, warned Lucas it would impose an "offer period" on the company, forcing it to issue details of share dealings, if it failed to issue a statement.

Some analysts accused the panel of muddying the waters, with one claiming that yesterday's statement would only confuse investors.

So far, the two companies have described the talks as preliminary and indicated that while they could lead to a full merger, they might also result in no more than a joint venture agreement on the brakes side.

Lucas is one of Europe's largest manufacturers of foundation brakes. Varty, which formerly owned Messer Ferguson, has a dominant position in anti-lock braking systems in the US.

Zeneca sells textiles colours to BASF

By Daniel Green

Zeneca is to sell its textiles colours business to BASF, the German chemicals and drugs company, for up to £150m (£226.50). The deal completes the disposals of poorly performing businesses announced by Zeneca on March 7. The company said yesterday no further disposals were planned.

The textile colours business had sales in 1995 of £202m and will transfer net assets

of about £85m to BASF. Zeneca had discussed the business with several European chemicals companies.

This includes sites at Ellesmere Port in the UK, Jacaré, in Brazil, and a US warehouse, mixing and re-packing plant in Charlotte, North Carolina.

About 730 Zeneca employees will transfer with the business.

Zeneca, which is best known for its pharmaceuticals, also has businesses in agricultural sciences, such as seeds and agrochemicals and specialist chemicals.

It will be integrated into BASF's textiles and leather dyes division.

The acquisition will move BASF into third place among the world's textile dye producers. The addition of Zeneca's products will expand BASF's business in dyes for cellulosic fibres in particular. The payment of up to £132m in cash, depends upon, among other things, a stock count, plus net working capital valued at £11.9m at completion of the deal.

Whitbread plans further spending

By Frederick Oram, Consumer Industries Editor

Whitbread plans a near 20 per cent rise in capital spending on its pubs, hotels and restaurants this year to help it sustain profits growth which is among the best in its sector.

The brewing and leisure group reported yesterday an 11 per cent increase in pre-tax profits to £283.1m (£428m) for the 53 weeks to March 2. All divisions contributed to the growth which was slightly ahead of forecasts.

Roughly half the profits rise came from organic growth and half from the acquisition of Marriott hotels in the UK and David Lloyd sports clubs. Capital expenditure, excluding acquisitions, should rise from £245m to "a little over £400m this year" Mr Peter Jarvis, chief executive, said. Pub profits, for example, benefited from "our strategy of new, large, contemporary outlets".

Whitbread Inns, its managed pubs, lifted operating profits 13 per cent to £129m within which food profits rose 20 per cent. On average, one of its pubs sells about £100,000 of food a year compared with an industry average of £59,000. Total turnover including drinks averaged £384,000 against an industry average for managed pubs of £289,000. "Everybody is piling into food so we'll have to work hard to keep in front," Mr Jarvis said.

The risk behind Olayan's bets

Roula Khalaf and Samer Iskandar analyse the National Grid deal

Combine Warren Buffett's long term investment outlook with George Soros's appetite for risk and you get an idea of what Saudi billionaire and financier Suliman S Olayan is about.

Mr Olayan made headlines last week when he entered into a derivatives transaction with HSBC James Capel to hedge the stockbroker's risk in the purchase of 210m National Grid shares from Hanson, the industrial conglomerate.

The move raised questions about foreign intrusion into the UK utilities sector and led to speculation about a possible takeover.

But what lies behind Mr Olayan's decision to invest in the Grid is typical of the way this contrarian value investor operates.

Mr Olayan is known as a long term friendly investor who looks for sectors he understands and for companies with stable businesses and management, but which are undervalued by the market.

He has increasingly developed the reputation of an investor who resorts to sophisticated financial engineering to take big gambles on stocks he likes.

At the 192 1/2p a share that Capel paid Hanson, the Olayan Group believes the stock to be undervalued and the risk of a drop in the price minimal. And instead of buying the stock outright, it has used derivatives to enhance its return.

Neither James Capel nor Olayan will comment on the details of the transaction but

this is how the deal is likely to have been structured, according to equity derivatives specialists.

The aim is that James Capel and Olayan "share the upside". The stockbroker is believed to have sold an over-the-counter call option, which allows its

Suliman S Olayan is known as a long-term friendly investor who looks for sectors he understands and for undervalued companies with stable businesses and managements

holder, in this case the Olayan Group, to benefit from a rise in National Grid's share price. Such options are often leveraged, so holders receive a multiple of the profit they would have achieved by buying the underlying share.

In order to underwrite Capel's downside risk from owning the shares, equity derivatives traders said this deal probably involved Mr Olayan selling put options to Capel - in effect agreeing to bear the loss if the stock drops below a predetermined level.

The structure of this arrangement reflects both Mr Olayan's appetite for risk-taking and his bullish expectations on National Grid. Furthermore, Mr Olayan seems to have accepted a substantial downside risk, showing that he considers this occurrence

unlikely.

The 77-year-old Mr Olayan has come a long way. From middle class beginnings in Saudi Arabia, he has built a group which has become an influential investor on world markets.

Mr Olayan started his career

nearly 60 years ago as a truck dispatcher for Aramco, the Arabian American Oil Company. He then set up a company to import oil equipment and won a contract for part of Aramco's first big trans-Arabian oil pipeline. Today, with a fortune estimated by Forbes Magazine at \$3bn he is Bechtel's joint venture partner in Saudi Arabia and his businesses include licences for Colgate-Palmolive, Coca-Cola, Kimberly-Clark and Burger King.

But his operating businesses are dwarfed by his investments, which include an estimated \$300m-plus portfolio on the Saudi stock exchange.

Mr Olayan seems to have a penchant for financial services stocks. As a former bank chairman in Saudi Arabia, he knows the business well. When the

market was down on bank stocks in 1991, Mr Olayan chose to increase his stake in Chase Manhattan to 5 per cent. He made headlines in 1988 when he provided \$600m in bridge financing to facilitate the merger of First Boston with Credit Suisse First Boston. Today he also has stakes in JP Morgan and Transamerica.

Mr Olayan knows a thing or two about the energy sector, having been an investor in Mobil Oil and Occidental Petroleum. He has made clear that he has no intention to gain control of National Grid. What his group sees in the Grid is mainly a stock market play; it views the UK transmission company as an undervalued utility stock with a very good yield and more than 7 per cent forecast annual dividend growth.

Olayan is believed to have been eyeing the Grid for a while, but to have balked at the price at which Hanson was peddling the stake last year. Olayan has taken an interest in the shares through other derivatives transactions in the past few months.

HSBC is the Olayan Group's main banker and last week was able to agree a deal with Hanson whereby it would buy the shares at 192 1/2p, about 3 per cent below the then market price. James Capel is the owner of the shares and even if it sold them, as long as the derivatives contract has not expired, Olayan would still maintain its economic exposure to the company.

Company	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends Dividend yield (%)	Total for year	Total last year
Avon Rubber	172.2 (150)	10.2 (7.48)	24 (18.0)	5.75	July 26	5.55	17.7	17.7
Battle (James)	90.3 (85)	5.97 (2.7)	5.9 (5.9)	0.05	July 5	4.9	6.65	6.4
BCC	12.8 (12.4)	0.656 (0.2)	1.86 (0.76)	nil	July 1	nil	6.9	6.18
Holmes & Marrow	25.9 (14.6)	5.87 (1.87)	5.84 (1.78)	nil	July 1	nil	6.25	6.25
House Resources	23.8 (18.4)	7.8 (1)	28.98 (0.97)	3.25	Sept 20	3.25	5.25	5.25
Royal Bank Scotland	13,459 (12,069)	712 (69)	21.3 (20.1)	5.4	July 19	4.5	12.1	10.2
Sainsbury (J)	141.2 (140.1)	3.52 (2.81)	5.31 (4.6)	2.16	July 7	1.8	11.7	11.7
Standard Elect	101.6 (27.1)	4,011.4 (1,164.4)	5.4 (2.7)	1	July 12	4.5	11	11
Sidley	141.2 (140.1)	168.2 (152.84)	28.2 (25.3)	5.3	July 16	5	18	18
Tate & Lyle	5.95 (6.36)	0.823 (1.08)	5 (6.63)	1.5	July 1	1.5	4.7	4.7
Thames	2,750 (2,472)	286.7 (275.4)	46.08 (42.76)	16.1	July 19	14.85	21.85	20.2
Whitbread	2,750 (2,472)	286.7 (275.4)	46.08 (42.76)	16.1	July 19	14.85	21.85	20.2

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TECHNOLOGY

Airport belt in the bag

Computerised baggage handling systems have had a bad name since the 1993 opening of Denver airport was delayed by serious glitches with its baggage technology.

But Matflex, a French handling equipment manufacturer, believes it has designed an electronic handling system that will be more reliable than its predecessors. Its Telegab system is going to be installed at Jersey airport next year.

The Telegab system uses individual, low-slung carts - known as "destination coded vehicles" - for each passenger's luggage. The electronically coded carts run on an aluminium track using linear motor technology at a speed of up to 5m per second.

The baggage is loaded on to the cart near the check-in desk, where the cart is coded with information about the passenger and the flight number. The carts are guided by a management control system linked to process logic controllers on the track, which direct them to a point where they can be loaded on to the aircraft.

Jean Sebillaud, technical director of Matflex, believes that breakdowns will be rare because the system has only seven moving parts. The system should not grind to a halt even if a cart breaks down because a functioning cart would be able to push the faulty one out of the way.

Jersey airport believes that its system of 40 carts, which will cost £750,000, will be 30 per cent cheaper to run than a conventional conveyor belt system.

It will cut costs and energy consumption because the number of carts can be tailored to demand. "We want to use the best system available that can meet quite different demands at different times," says Michael Lanyon, airport director.

If the Matflex system lives up to its promise, the airport should be able to transfer bags more quickly, cheaply and accurately.

Vanessa Houlder

At Sirlol Productions' animation studios by the docks in Cardiff, the computers are no longer switched off at night. Instead, a program takes advantage of the unused computer power on the company network to colour and shade the newly drawn cartoons and introduce special effects.

The recently installed software saves money and time. When this painstaking, time-consuming, work was done by hand, it was one of the slowest parts of the cartoon production process. By computerising the process, costs have been cut from £2,000 per minute of the cartoon to £800 per minute; the time taken to make a 10-minute cartoon has been reduced from months to weeks.

What makes this example of computerisation interesting is its speed. A conventional computer program would run extremely slowly since animation - which often involves 500 images per minute - requires vast amounts of processing power. But in the case of Sirlol, its eight Pentium computers are linked together in parallel in a network. The software divides the workload so that the computers work three to four times faster together than they would separately.

"This ability to work in parallel is the result of a European Commission-sponsored collaboration between Sirlol, Perihelion, a software company, and Cambridge Animation Systems, the owner of the original software called Animo. At a cost of £500,000, it "ported" or recast the original software so it would run on a parallel system.

All three companies are pleased with the results. Lynne Stockford of Sirlol Productions describes the savings that have resulted from the Animo program as "a revelation". "Going parallel on cheap computers really is the answer," says Peter Stansfield, consultant to Cambridge Animation. Since getting involved in the project, it has sold several hundred of the Animo systems to the Dreamworks and Warner Bros studios.

The European Commission, which half funded the project, is also enthusiastic, treating the Animo program as a showpiece in its Ecu20m (E16m) Europort project.

"This project, which is part of the Esprit programme on information technology, is designed to foster greater availability and take-up of programs that can run in parallel.

Its enthusiasm for parallel processing is based on the idea that it is a relatively cheap method of securing high-performance computing.

Parallel processing machines can be made by linking dozens, sometimes even thousands, of inexpensive industry-standard microprocessor chips. In certain cases, such as that of Sirlol, it can be achieved by the even cheaper approach of linking



Working in parallel: Sirlol's computers have speeded up cartoon production

Going parallel

A cut-price version of supercomputing is within reach, explains Vanessa Houlder

PCs or workstations in a network.

The Commission argues that supercomputing is no longer merely the domain of grandiose projects such as nuclear physics and long-range weather forecasting. A cut-price version of supercomputing is within the reach of even small businesses, it says.

The Commission believes that its role is to make software for parallel processors more widely available. According to Adrian Colbrook, a principal at Smith System Engineering which is managing many of the Europort projects, it is trying to tackle the problem that most avail-

able industrial or commercial software was written many years ago and cannot exploit the capabilities of parallel processors.

Recasting programs for parallel processing machines is time-consuming and expensive. As a result, there is deadlock. Application developers argue that there is no end-user market for parallel code, and end-users feel there are no applications to run on parallel architecture.

The Commission's solution to this conundrum has been to produce commercially usable parallel code that would demonstrate the benefits

of parallel computer technology for a wide range of industries.

It chose 33 programs to be ported. They were tackled by project teams that included the owners of the program, the parallel software experts, and end-users including ABB Robotics Products, Agip, Bayer, ICI, Unilever and Zeneca. The resulting code has been tested and compared on the whole range of parallel machines available, from workstation clusters up to massively parallel processors.

Parallel processing is not the answer to all computing problems. The type of application involved in Europort typically involves heavy, mathematical computation, and moreover lends itself to being split into discrete tasks, which have minimal need for interaction during processing.

Applications range from relatively traditional uses for parallel processing such as fluid dynamics and structural mechanics to less common ones such as earth observation, radiotherapy, network simulation and drug design. For example, E. Merck, the German pharmaceutical company, Parsytec, the manufacturer of parallel computers and the European Molecular Biology Laboratory worked on porting "MaxFlom" software. This technology searches protein databases for information that relates the sequence of amino acids (chemical units) in a newly discovered protein to known protein structures. Thus, it allows researchers to build models of the three-dimensional shapes of protein molecules. Now that the software can run in parallel, it delivers answers to complex searches in minutes instead of several hours.

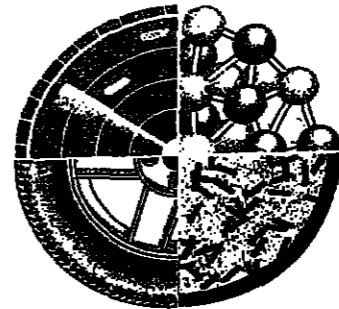
But the Commission's role is controversial. Its record in promoting supercomputing hardware in Europe has largely been unsuccessful. Some critics believe that its efforts at promoting parallel processing software will, at best, be an irrelevance.

Jane Doory, director of systems software and services at Dataquest Europe, the research group, suspects its work is unnecessary. "Most of the major software codes have been ported, or are in the throes of being ported," she says.

Furthermore, she does not believe that companies need to be convinced about the merits of parallel processing. "Most users already know the benefits of parallel systems," she says.

But those involved in Europort disagree. Agnes Bradier, a project officer, believes that the benefits of parallel processing could reach a much wider audience. "We are taking massively parallel processing out of the laboratories and putting it on the desktops of the small- and medium-sized enterprises," she says.

Worth Watching - Vanessa Houlder



'Lefty' gene points way on asymmetry

Why is the heart on the left side of the body? Until recently, there have been few clues to the molecular basis of this kind of asymmetry.

In Nature magazine today, Japanese scientists at the Tokyo Metropolitan Institute of Medical Science and Osaka University describe a gene called "lefty" that could be responsible for left-right asymmetry. It appears to produce a hormone that guides the formation of tissues and organs by its concentration gradient.

The "lefty" hormone appears in a transient and asymmetrical fashion in the mouse embryo before the first signs of asymmetry emerge. In mutant mice, where the organs are laid out in a mirror-image of the usual plan, the pattern is reversed.

Nature also publishes reports from scientists at Harvard University and the National Institutes of Health who have described another gene, "nodal". It too appears to have an important role in determination of left-right asymmetry.

Tokyo Metropolitan Institute of Medical Science, Japan, tel 68797994; fax 68798416

Optical switch's potential for storage

The Georgia Institute of Technology is working on a light-activated optical switch that could ultimately be the basis of a miniaturised data storage system.

Previous attempts to make optical switches have used irreversible photochemical changes to store information, meaning that data could be written to them only once. But Georgia Tech can make the system rewritable, which could make the switches valuable for storing computer data.

The switch is based on left- and right-handed molecules which are

affected differently by varying forms of polarised and unpolarised light. The system, which is many years away from a practical application, would be able to store data in three dimensions, allowing large amounts of information to be packed into a small space.

Georgia Institute of Technology, US, tel 4048943444; fax 4048946933

Bicycle shed's high-tech treatment

A high-tech, space-saving bicycle shed is to be built at a railway station at Krefeld, near Düsseldorf. The Fraunhofer Institute for Material Flow and Logistics has adapted warehousing technology in its design. The bicycle owner takes a ticket from a machine that opens the shed. The bicycle is secured using a wheel clamp and carried on a carousel to a storage level. The system can store 3,000 bicycles on several levels.

Fraunhofer Institute for Material Flow and Logistics, Germany, tel 2319743217; fax 2319743336

Geographic data more available

Many businesses find computerised geographic information systems helpful when analysing data by locality or region. But making full use of GIS often requires specialist programming skills. Kingswood, a UK GIS specialist, and Alsoft, a French developer, hope to bring GIS to a wider audience by launching the UK version of Geo Concept, a geographical information system that can be linked to a company's existing databases and spreadsheets without expert programming.

Kingswood, UK, tel (0)181 994 5404; fax (0)181 747 8047

Keeping tabs on food temperatures

Food retailers will be able to review the temperature of food on its journey to the supermarket with an electronic system. The Temperature Tempit Logging system, developed by J. Sainsbury and Industrial Electronic Automation, consists of a plastic tag that records temperature data which can be linked to a PC and read on arrival.

J. Sainsbury, UK, tel (0)171 921 6000; fax (0)171 921 0156

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السنة الأولى

COMMODITIES AND AGRICULTURE

LME acts to limit impact of copper market squeeze

By Kenneth Gooding, Mining Correspondent
The London Metal Exchange board took action yesterday to limit the impact of a technical squeeze rapidly developing in its copper market.

price was \$2,833 a tonne. Before the LME's action it was costing about \$2 a tonne to carry forward a short position for a day but this increased to \$3 shortly afterwards.

Analysts were surprised by the intervention. One suggested: "We can only assume that Mr King [Mr David King, the LME chief executive] saw something in the confidential daily reports from brokers which alarmed him and the action was to pre-empt a disorderly situation."

Cocoa body predicts surplus

By Allison Maitland
The first cocoa production surplus in five years was predicted yesterday by the International Cocoa Organisation.

world's biggest producer, was forecast at 1.05m tonnes, up 100,000 tonnes, while Ghanaian production was now expected to be 375,000 tonnes, or 45,000 tonnes higher than the previous forecast.

Crop scouts view America's bitter harvest

The damage is more extensive than agronomists had expected, writes Laurie Morse

Several dozen of the nation's top wheat experts fanned out across the length and breadth of Kansas last week, seeking evidence that the state's beleaguered wheat crop might have the potential to recover.

nation's hard red winter wheat is facing its smallest crop since 1983. Although analysts who toured the state last week gave widely varying estimates of a potential harvest - the crop has just emerged from dormancy, and won't produce grain for another month - the consensus estimate was a mere 170m bushels, far below last year's rather poor production of 250m bushels, and less than half the state's 5-year average of 367m bushels.

Weather. As of Sunday, spring wheat planting was only 22 per cent complete nationwide, compared with a five-year average of 52 per cent at this point in the season.

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assistance. Most were required to purchase some level of crop insurance last year by the government. "It's going to be another lean year," says Mr Terry Kohler, manager of the Farmers Co-op Elevator in Garden Plain, in South Central Kansas.

"The situation was the worst I've ever seen, and far worse than the poor crop of 1989."

New Zealand dairy farmers set for bumper year

By Terry Hall in Wellington
New Zealand's dairy farmers can count on handsome returns this season - helped by exceptionally good late season weather, which has led to bumper production.

will announce its final pay-out decision at the end of this month. The financial bonus has come from unexpectedly high production and a combination of skilled international selling and good markets, which has assured all products will be sold.

Island - in the Waikato, Northland and the Bay of Plenty. It had been less good in the lower half of the island, including Taranaki and the Manawatu.

disease" in Britain, said Mr Martin. "There are a lot of imponderables here. We don't know to what extent the British will be able to crank up milk production after the culling programme and in any case European dairy imports are covered by quotas."

new opportunities including slightly better access to Europe and the US. "We are selling cheeses that have not been seen before in the States and that are tailored for American tastes," he said.

COMMODITIES PRICES

BASE METALS

Table with columns for metal type (Copper, Aluminium, Zinc, Lead, Nickel), price, and change.

Precious Metals continued

Table with columns for gold, silver, platinum, and palladium prices and changes.

GRAINS AND OIL SEEDS

Table with columns for wheat, maize, soybeans, and barley prices and changes.

SOFTS

Table with columns for cocoa, coffee, and sugar prices and changes.

MEAT AND LIVESTOCK

Table with columns for live cattle, hogs, and pork bellies prices and changes.

ENERGY

Table with columns for crude oil, heating oil, and natural gas prices and changes.

PRECIOUS METALS

Table with columns for gold, silver, and platinum prices and changes.

INDEXES

Table with columns for various market indices and their values.

COMMODITY PRICES

Table with columns for various commodity prices and changes.

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JOTTER PAD advertisement for HP and Packard-Bell computers.

CROSSWORD No.9,064 Set by QUARK advertisement.

Crossword puzzle grid and clues.

INTERNATIONAL CAPITAL MARKETS

Treasuries remain flat ahead of auction France ready to refinance part of social security debt

By Lisa Branstner in New York and Samer Iskandar in London

US Treasury prices were mostly flat in early trading yesterday as optimism about demand at the afternoon auction of 10-year notes and unsurprising comments on the economy from the Federal Reserve combined to ease some of the market's bearish tone.

GOVERNMENT BONDS

Near midday, the benchmark 30-year Treasury was up 1/8 at 86 1/2 to yield 7.071 per cent, while at the short end, the two-year note was 1/4 lower at 99 1/2, yielding 6.181 per cent.

of the economy prepared by the Fed in advance of Open Market Committee meetings, was seen as encouraging to investors worried about inflationary pressures because it noted that prices remained relatively stable despite some tightness in the labour market and rises in commodity prices.

"There was some concern that the Beige Book would be more aggressive," said Mr Richard Gilhooly, an international bond strategist at Paribas Capital Markets in New York.

Mr Gilhooly said there was also some talk among Wall Street dealers that the 10-year note had sunk so low it was becoming an attractive investment, and that had inspired some hopes for decent demand at the Treasury department's sale of \$14bn in 10-year notes. The notes were expected to be 1/4 stronger at 107 1/4, yielding about 6.91 per cent.

UK gilts ended a quiet session higher. Liffe's June long gilt future settled at 105 1/4, up 1/8, and rose to 105 1/2 in after-hours trading.

Mr Stuart Thomson, chief international economist at Nikko in London, expects little rise in the level of activity in the near future. However, market participants are likely to focus on the housing and consumer sectors in the coming months.

Although these segments have started to show "some elements of strength", Mr Thomson believes there is room for a cut in the base rate sometime in the third quarter.

He also expects gilts to "marginally outperform" other markets, with 10-year yield spreads tightening to 150 basis points over bonds and 125 basis points over US Treasuries in the next three months. These

spreads stood at 179 and 131 basis points respectively yesterday.

German bunds regained their footing after several days of uncertain trading. Liffe's June bund future settled at 96.03, up 0.30. The new 10-year benchmark, the 6 1/2 per cent bund due April 2006, closed at 98.11, up 0.21.

Economists at ABN Amro Bank believe the "German business cycle is still very gloomy", with weak employment growth.

Spanish bonds had a mixed session and closed lower when the D-Mark rose against other currencies.

The German currency's strength was due to comments by Mr Hans-Joerg Koebnik, a member of the Bundesbank council, over the likelihood of European monetary union being

achieved within the Maastricht timetable. The June 10-year bono future closed at 97.98, down 0.21.

However, analysts at Bear Stearns believe the market will soon resume its rally. The recent flattening of the yield curve, they said, was due to disappointment at the central bank's decision to cut the repo rate by only 1/4 point to 7 1/2 per cent, while the market expected a 1/2 percentage point cut.

It is not clear in what form the first tranche will come. However, the refinancing will eventually have recourse to all available sources of finance, including bank loans, French domestic commercial paper, international financing via issues of euro and/or US commercial paper, and domestic and euro-denominated issues.

France ready to refinance part of social security debt

By Samer Iskandar in London and David Owen in Paris

France's innovative refinancing of a large part of its social security debt is about to get underway in earnest.

This week should see the issuance by a specially-created institution - the Caisse d'Amortissement de la Dette Sociale (Cades) - of the first tranche of the FF140bn refinancing, in a move that will be watched with keen interest by European capital markets.

It is not clear in what form the first tranche will come. However, the refinancing will eventually have recourse to all available sources of finance, including bank loans, French domestic commercial paper, international financing via issues of euro and/or US commercial paper, and domestic and euro-denominated issues.

defined and established on January 24, is charged first with extinguishing France's cumulative social security deficit for the years 1994 to 1996. This is valued at the fixed amount of FF210bn for 1994 and 1995, and the provisional 1996 deficit has been put at FF171bn.

The body will also reimburse in annual instalments of FF12.5bn the French state's assumption of FF110bn in liabilities arising from earlier financial deficits of the social security system. These deficits will continue to be managed by the state.

Finally, Cades will this year make a one-off payment of FF3bn to one of France's national health insurance funds.

In what amounts to a bold experiment with the concept of tax hypothecation, the body's funding will come essentially from a new 0.5 per cent levy on the personal incomes of all but the poorest French citizens - the RDS contributions.

This is expected to raise FF21.5bn in 1996 and FF25.5bn in 1997, when it is extended to life-insurance contracts and income from several types of savings plans. A second, more modest, source of income is also available to Cades in the form of revenues from sales of property belonging to the French welfare system.

"The motivation behind the 'spin-off', according to one of the senior bankers consulted by the Treasury, was to 'make the French feel more responsible about their social welfare system'."

By creating the Cades, and the new "social debt reimbursement" (RDS) tax that finances it, the government "can now say to the citizens: this is how much it costs, so this how much you will be paying for it", he said.

Cades, which was legally

said a "prolonged recession could seriously affect the performance of Cades."

French official projections show that even if nominal GDP declined by 7 per cent annually over the 13-year refinancing period, Cades' resources would still cover its obligations vis-a-vis the market.

The structure of Cades' liabilities will provide an additional cushion for investors in securities issued by the body. This is because the annual payment to the state is subordinated to debt servicing payments. In other words, the state will only start receiving its annual dues after the claims of all other lenders to Cades have been fully satisfied.

From an investor's point of view, this is equivalent to ending Cades with reserves - almost a "guarantee fund" bankers said - from which up to FF12.5bn can be taken every year to fill any gap between RDS revenues and amounts owed to Cades' creditors.

The legislation provides an additional safety net in the very unlikely - event of Cades being unable to fulfil its obligations, by stipulating that the government would then have to "submit to parliament the necessary measures to ensure the payment of principal and interest at the set dates."

In addition to Standard & Poor's, both Moody's, the other large US rating agency, and IBCA, the European agency, have given Cades their highest grades, confirming the financial solidity of the structure chosen.

What remains uncertain is how the government will finance any additional deficits. It now appears increasingly likely that this year's deficit will be more than FF170m - the level at which the Cades contribution is capped.

If there is an extra shortfall, it will have to be financed by other means.

Warm welcome for issue from Vodafone

By Corner Middelmann

An inaugural \$20m five-year bond issue for Vodafone, a UK mobile communications group, received a warm welcome in the starting market yesterday.

INTERNATIONAL BONDS

While some felt that the pricing - at a spread of 42 basis points over gilts - was tight, most dealers said it was fair.

"We've been looking for five-year corporate bonds in sterling for quite some time, and this one has a lot going for it: a great household name and a nice bit of spread," said one trader. He found "puzzling" the lack of pre-marketing. "When you have a new borrower with fresh ratings, people need some

time to form a view," he said. The bonds were rated A+ by Standard & Poor's and A2 by Moody's.

Lead manager UBS reported good sales to UK institutions and PEP-funds, adding that the spread remained stable at 42 basis points over gilts.

The sterling sector also saw a \$125m three-year offering for GECCO, priced at 7 basis points over gilts and aimed at Swiss retail investors, whose interest in sterling bonds has picked up recently, said bookrunner SBC Warburg.

In dollars, Bayerische Vereinsbank issued \$500m of five-year bonds at a spread of 22 basis points over Treasuries. While some dealers felt the pricing was tight given the quality of the name - Bayerische Vereinsbank was recently downgraded by Moody's from

NEW INTERNATIONAL BOND ISSUES

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Includes entries for US DOLLARS, YEN, STERLING, ITALIAN LIRE, ESCUDOS, NEW ZEALAND DOLLARS, and NEW EUROPEAN DOLLARS.

triple-A to A+, a syndicate official at Paribas, joint leads with J.P. Morgan, said the issue had seen good sales across Europe.

Empresa Publica, a Portuguese state-owned company, raised \$200m through an

offering of six-year floating-rate notes, writes Anthony Sharpe.

The credit-enhanced notes are fungible with an offer last December, making it the largest financing for a Portuguese company.

Bankers Trust, which arranged the offerings with Banco Efesa, widened the appeal of the escudo bonds by providing asset swaps for investors who did not want to be exposed to the currency risk.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Table with columns: Country, Coupon, Red Date, Price, Day's change, Yield, Week ago, Month ago. Includes Australia, Austria, Canada, Denmark, France, Germany, Ireland, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, US Treasury, and ECU.

BOND FUTURES OPTIONS (LFFE) DM250,000 points of 100%

Table with columns: Strike, Price, Call, Put, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Includes sections for ITALY, ITALIAN GOVT. BOND (BTP) FUTURES, and ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS.

FT-FACTURES FIXED INTEREST INDICES

Table with columns: Index, Price, Yield, Accrued Interest, etc. Includes 1-5 year, 5-10 year, and All Indices.

FT FIXED INTEREST INDICES

Table with columns: Index, Price, Yield, Accrued Interest, etc. Includes Govt. Secs, Fixed Interest, and FT/ASMA International Bond Service.

GILT EDGED ACTIVITY INDICES

Table with columns: Index, Price, Yield, Accrued Interest, etc. Includes Gilt Edged, 5-day average, and Floating Rate Notes.

US INTEREST RATES

Table with columns: Rate, Bid, Ask, Bid, Ask. Includes Prime rate, Fed funds, and Fed funds at intervals.

BOND YIELDS AND OPTIONS

Table with columns: Bond, Price, Yield, Bid, Ask. Includes France (National French Bond Futures), Germany (National German Bond Futures), and UK Gilts Prices.

UK GILTS PRICES

Table with columns: Maturity, Bid, Ask, Bid, Ask. Includes Gilts (All new to the Price), Treasury Bills and Bond Yields, and National UK Gilt Futures.

OTHER FIXED INTEREST

Table with columns: Index, Price, Yield, Bid, Ask. Includes Australia, Austria, Canada, Denmark, France, Germany, Ireland, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, US Treasury, and ECU.

FT/ASMA INTERNATIONAL BOND SERVICE

Table with columns: Issued, Bid, Offer, Chg, Yield. Lists various international bonds from US, UK, and other countries.

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CURRENCIES AND MONEY

MARKETS REPORT

Pound falls on signs of government split

By Graham Bowley

The South African rand came under renewed pressure on the foreign exchanges yesterday amid fresh concerns about the shape of the ruling coalition government.

It suffered a sharp decline amid large falls in government bond and equity prices after Mr P W De Klerk, deputy president, raised the prospect of the white-led National Party quitting the two-year old Government of National Unity.

The dollar's sharp fall against the D-Mark came amid further weakness in the US

equity market and nervousness in the US bond market ahead of a large auction of bonds.

The Bulgarian lev continued its recent sharp decline, falling to an all-time low against the dollar.

The pound displayed some independent strength, rallying against the D-Mark and the dollar despite the D-Mark's gains against other European currencies.

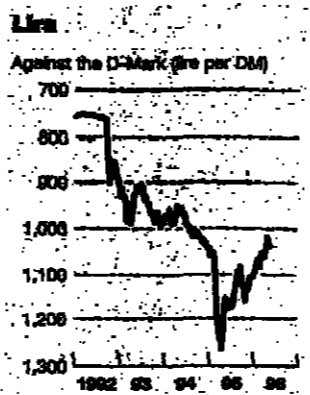
The dollar held firm against the yen despite its losses against the D-Mark. It closed in London at 1106.23.

the previous close.

The view that the D-Mark may now be set for a rebound following stronger than expected German economic data in recent weeks gained ground yesterday, helped by comments by Mr Hans Jürgen Kobnick, a Bundesbank council member.

Mr Kobnick said that interest rate cuts in other European countries would probably prevent their currencies from strengthening against the D-Mark.

He also threw some cold water on speculation of lower German interest rates when he said he saw no room for further change in official interest rates, and no economic benefit in a lower rate.



Against the D-Mark (per DM)

tion but there is also the beginning of a shift in sentiment in favour of the D-Mark following more upbeat economic data.

He said an environment of rising interest rates, particularly in the US, was not conducive to flows into relatively high-yielding currencies.

Lv99 against at the beginning of last month to around Lv130 - has been due to growing worries about the country's troubled banking system.

Mr Andrew Kenningham, analyst at Merrill Lynch in London, said the country's relatively low annual inflation rate of around 33 per cent did justify the recent collapse in the currency.

He said: "There has been a fight out of the currency and out of the banking system as the country faces large debt payments."

He said the country, which has undergone a Brady-style debt restructuring, could become first country to default on its Brady bond payments, which could further hasten the currency's decline.

Yesterday's UK monetary meeting between the chancellor and the governor of the Bank of England ended without comment, with analysts

expecting no change in interest rates to follow the meeting.

Mr Tony Norfield, currency analyst at ABN Amro in London, said the strong link between sterling and the dollar had been broken in recent sessions in sterling's favour.

He said the pound had remained strong despite the dollar's decline against the D-Mark.

He said: "It is an indication of a reassessment of sterling's strength, supported by buying of UK assets by US investors and by less concern about the political risk."

Attention in the UK today will be on industrial production data for March which are expected to show further weakness.

WORLD INTEREST RATES

Table of World Interest Rates with columns for Country, Term, Rate, and Change.

EURO CURRENCY INTEREST RATES

Table of Euro Currency Interest Rates with columns for Currency, Term, Rate, and Change.

POUND SPOT FORWARD AGAINST THE POUND

Table of Pound Spot Forward Against the Pound with columns for Country, Closing mid-point, Change on day, Bid/offer spread, Day's mid high low, One month Rate, Three months Rate, One year Rate, Bank of England Index.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table of Dollar Spot Forward Against the Dollar with columns for Country, Closing mid-point, Change on day, Bid/offer spread, Day's mid high low, One month Rate, Three months Rate, One year Rate, JP Morgan Index.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Table of Exchange Cross Rates with columns for Country, Bid, Offer, and Change.

D-MARK FUTURES (DM) DM 125,000 per DM

Table of D-Mark Futures with columns for Open, Latest, Change, High, Low, Est. vol, Open Int.

SWISS FRANC FUTURES (SFR) SFR 125,000 per SFR

Table of Swiss Franc Futures with columns for Open, Latest, Change, High, Low, Est. vol, Open Int.

UK INTEREST RATES

LONDON MONEY RATES

Table of London Money Rates with columns for Instrument, Rate, and Change.

THREE MONTH EURO CURRENCY UNIT RATES

Table of Three Month Euro Currency Unit Rates with columns for Country, Rate, and Change.

THREE MONTH EURO DOLLAR (EM) \$1m points of 100%

Table of Three Month Euro Dollar with columns for Country, Rate, and Change.

SHORT TERM EURO DOLLAR (LIFE) \$500,000 points of 100%

Table of Short Term Euro Dollar with columns for Country, Rate, and Change.

BASE LENDING RATES

Table of Base Lending Rates with columns for Institution, Rate, and Change.

JAPANESE YEN FUTURES (YEN) Yen 12.5 per Yen 100

Table of Japanese Yen Futures with columns for Open, Latest, Change, High, Low, Est. vol, Open Int.

STERLING FUTURES (M) £25,000 per £

Table of Sterling Futures with columns for Open, Latest, Change, High, Low, Est. vol, Open Int.

EMU EUROPEAN CURRENCY UNIT RATES

Table of EMU European Currency Unit Rates with columns for Country, Rate, and Change.

NON ERM MEMBERS

Table of Non ERM Members with columns for Country, Rate, and Change.

THREE MONTH EURO DOLLAR (EM) \$1m points of 100%

Table of Three Month Euro Dollar with columns for Country, Rate, and Change.

US TREASURY BILL FUTURES (M) \$1m per 100%

Table of US Treasury Bill Futures with columns for Country, Rate, and Change.

THREE MONTH EURO DOLLAR (EM) \$1m points of 100%

Table of Three Month Euro Dollar with columns for Country, Rate, and Change.

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BERKELEY FUTURES LIMITED

Advertisement for Berkeley Futures Limited, offering futures and options trading.

FUTURES AND OPTIONS TRADING

Advertisement for Futures and Options Trading, providing clearing and execution services.

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Advertisement for Petroleum Argus, offering daily oil price reports.

Market-Eye

Advertisement for Market-Eye, providing financial news and analysis.

Futures Traders: Save on Every Trade

Advertisement for Futures Traders, offering a 25% discount.

NOTICE OF PARTIAL REDEMPTION

Notice of partial redemption for Banco Central de Costa Rica bonds.

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Advertisement for Business Wanted, seeking financial times advertisers.

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Les Echos

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Market-Eye

Advertisement for Market-Eye, providing financial news and analysis.

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Advertisement for Market-Eye, providing financial news and analysis.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, share price, and change.

BANKS, MERCHANT

Table listing companies in the Banks and Merchant sector.

BANKS, RETAIL

Table listing companies in the Banks and Retail sector.

BREWERIES, PUB & REST

Table listing companies in the Breweries, Pub & Rest sector.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector.

BUILDING MATS. & MERCHANTS

Table listing companies in the Building Mats. & Merchants sector.

CHEMICALS

Table listing companies in the Chemicals sector.

DISTRIBUTORS

Table listing companies in the Distributors sector.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector.

ELECTRICITY

Table listing companies in the Electricity sector.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Equipment sector.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of Electronic & Electrical Equipment sector table.

ENGINEERING

Table listing companies in the Engineering sector.

ENGINEERING - Cont.

Continuation of Engineering sector table.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

ENGINEERING - Cont.

Continuation of Engineering sector table.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

FOOD PRODUCERS

Table listing companies in the Food Producers sector.

GAS DISTRIBUTION

Table listing companies in the Gas Distribution sector.

HEALTH CARE

Table listing companies in the Health Care sector.

HEALTH CARE - Cont.

Continuation of Health Care sector table.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector.

INSURANCE

Table listing companies in the Insurance sector.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector.

INV TRUSTS SPLIT CAPITAL

Table listing companies in the Split Capital Investment Trusts sector.

HEALTH CARE - Cont.

Continuation of Health Care sector table.

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Continuation of Health Care sector table.

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Advertisement for Hewlett-Packard Computacenter, featuring the HP logo and text: 'Print leader, performance servers, managed desktops. From the UK's leading provider of distributed IT systems and services. Computacenter'.

Handwritten Arabic text at the bottom of the page: 'السيد محمد الياقوت'.

anessa Houlder

ected differently by varying as of polarised and solarised light. The system, which is many years away from critical application, would be used to store data in three dimensions, allowing large amounts of information to be packed into a small space.

cycle shed's high-tech treatment

high-tech, space-saving bicycle sheds to be built at a railway station at Hatfield, near Bedford. The Franchiser, the Franchiser Group, has adapted the technology to its own design. The bicycle owner takes the bike from a machine that opens a cycle shed. The cycle is then placed in a storage shed and the shed is closed. The system can store 3,000 bicycles in a shed that is 10m x 10m x 10m.

geographic data more available

geographic data more available. The system allows users to find information on a specific location. The system is based on a database of geographic information. The system is available on a CD-ROM. The system is available for purchase from the publisher.

Keeping tabs on food temperatures

Keeping tabs on food temperatures. The system allows users to monitor the temperature of food. The system is based on a database of food temperatures. The system is available on a CD-ROM. The system is available for purchase from the publisher.

INV TRUSTS SPLIT CAPITAL - Cont.

Table with columns for company names and financial data. Includes entries like 'Investment Trusts', 'Split Capital', etc.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with their respective financial metrics.

INVESTMENT COMPANIES

Table listing investment companies and their performance data.

LEISURE & HOTELS

Table listing leisure and hotel companies.

LEISURE & HOTELS - Cont.

Table with financial data for leisure and hotel companies.

LIFE ASSURANCE

Table with financial data for life assurance companies.

MEDIA

Table with financial data for media companies.

OTHER FINANCIAL - Cont.

Table with financial data for other financial companies.

PAPER, PACKAGING & PRINTING

Table with financial data for paper, packaging, and printing companies.

PHARMACEUTICALS

Table with financial data for pharmaceutical companies.

PROPERTY - Cont.

Table with financial data for property companies.

RETAILERS - FOOD

Table with financial data for food retailers.

RETAILERS - GENERAL

Table with financial data for general retailers.

RETAILERS - GENERAL - Cont.

Table with financial data for general retailers (continued).

SUPPORT SERVICES - Cont.

Table with financial data for support services companies.

TELECOMMUNICATIONS

Table with financial data for telecommunications companies.

TEXTILES & APPAREL

Table with financial data for textiles and apparel companies.

TOBACCO

Table with financial data for tobacco companies.

TRANSPORT

Table with financial data for transport companies.

WATER

Table with financial data for water companies.

AIM - Cont.

Table with financial data for AIM companies.

AMERICANS

Table with financial data for American companies.

CANADIANS

Table with financial data for Canadian companies.

SOUTH AFRICANS

Table with financial data for South African companies.

Templeton advertisement: Seeking out under-valued investments across the globe. HOW TO INVEST THE TEMPLETON WAY. AS EXPLAINED BY THE UGLY DUCKLING. Now you can share the investment principles which Templeton consider to be of enduring value to investors.

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Index, a member of the Financial Times Group. Company classifications are based on those used for the FT-SE Actives Share Index. Details on how to use the service and contact information.

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4378 for more details.

Main table containing various fund names, descriptions, and prices. Includes sections for 'OTHER OFFSHORE FUNDS' and 'OFFSHORE INSURANCES'.

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

DISCLAIMER: PLEASE READ THESE NOTES... The fund prices on these pages are also available on the Internet at www.ft.com

LONDON STOCK EXCHANGE

MARKET REPORT

UK equities burdened by Wall Street gloom

By Steve Thompson, UK Stock Market Editor
A sparkling performance by the food retailing giants and the usual daily sprinkling of bid stories helped to cushion London's equity market from another potentially severe drubbing yesterday.

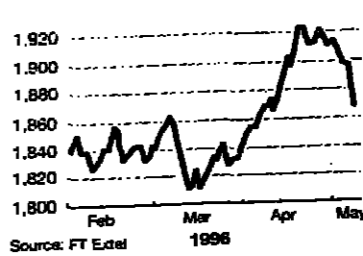
or just short of 3 per cent. Second-line stocks were equally hard hit, with the FT-SE Mid 250 index sliding 21.1 to 4,504.4, its sixth decline over the past seven trading days, during which the index has given up 61.2, or 1.4 per cent.

Dealers in addition pointed out that London had also been helped by a strong showing by gilt-edged stocks, which were commonly up around a half-point in the wake of the regular monthly meeting between Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England.

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FT-SE-A All-Share Index



Equity shares traded

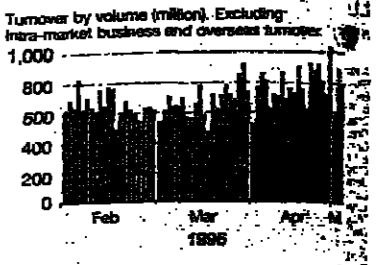


Table with 2 columns: Index Name and Value. FT-SE 100: 3707.3 (-15.7); FT-SE Mid 250: 4504.4 (-21.1); FT-SE-A 350: 1893.5 (-8.2); FT-SE-A All-Share: 1870.23 (-7.8); FT-SE-A All-Share ytd: 3.78 (3.76).

Table with 2 columns: Index Name and Value. FT Ordinary Index: 2772.0 (-24.4); FT-SE-A Non-Fin p/e: 17.16 (-17.2); FT-SE 100 Fut. Jan: 3709.0 (-18.4); 10 yr gilt yield: 8.24 (8.24); Long gilt/yield ratio: 2.25 (-2.25).

Table with 2 columns: Sector and Change. Best performing sectors: Retailers, Food (+2.0); Health Care (+1.4); Alcoholic Beverages (+0.5); Property (+0.5); Bank, Merchant (-0.5).

Table with 2 columns: Sector and Change. Worst performing sectors: Electricity (-1.2); Water (-1.2); Engineering, Vehicles (-0.8); Gas, Pipelines (-0.8); Life Assurance (-0.9).

Food retailers celebrate

Relief that food retailer J. Sainsbury had not issued another profits warning as it published lower full-year figures sparked a wave of buying in the company's shares and the sector as a whole.

As the session drew to a close, the group's shares were up 15 at 372p, having touched 377p in fevered buying in the morning. Turnover was 12m.

One analyst, emerging from a meeting with the company, said of the share price performance: "Everyone is just relieved we did not get another profits warning from Sainsbury, and I think that is what the share price is saying."

Sentiment in the stock was initially enhanced by reiteration of a progressive dividend policy and an announcement that Sainsbury is to seek powers for a share buyback.

Several brokers downgraded current year profits expectations in the wake of the figures. The list of those reducing expectations included SBC Warburg, the group's broker, which lowered its forecast by 25m to 279m.

UBS downgraded its estimate by 25m to 278m, although it has upgraded its recommendation from "sell" to "hold".

Indications from Sainsbury that, in spite of plans to launch a nationwide loyalty card, it is unlikely to make moves that will seriously deepen the price war with its competitors triggered solid buying among leading stocks in the sector.

Analysts, some of whom nevertheless upgraded their forecasts, said there was an element of profit-taking in Whitbread, which is the first of the major brewers to report results. Some marketmakers were said to be running long books and to have cut their position.

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FUTURES AND OPTIONS

Table with 2 columns: Index Name and Value. FT-SE 100 INDEX FUTURES (LFFE) 225 per full index point. Jun: 3729.0 (3708.0 -16.0); Sep: 3730.0 (3724.0 -16.0); Dec: 3775.0 (3754.0 -18.0).

TRADING VOLUME

Table with 2 columns: Index Name and Value. Major Stocks Yesterday. J.Sainsbury: 1,200; J. Sainsbury: 1,200; J. Sainsbury: 1,200.



SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really. Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbour-slob with a grubby vest and a weekend's stubble on his chin.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing. And nothing is all they'll ever have unless we all extend a helping hand. We know you can't give them back the things that others have taken away.

We're not even asking for money (though every cent certainly helps). But we are asking that you keep an open mind. And a smile of welcome. It may not seem much. But to a refugee it can mean everything.

UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information P.O. Box 2500 1211 Geneva 2, Switzerland



LONDON RECENT ISSUES: EQUITIES

Table with 2 columns: Issue Name and Price. Lucas Industries: 100; J. Sainsbury: 100; J. Sainsbury: 100.

FT-SE ACTUARIES SHARE INDICES

Table with 2 columns: Index Name and Value. FT-SE 100: 3707.3; FT-SE Mid 250: 4504.4; FT-SE-A 350: 1893.5.

FT-SE ACTUARIES 350 Industry baskets

Table with 2 columns: Basket Name and Value. 10 MINERAL EXTRACTION: 3182.10; 12 Extractive Industries: 3182.10; 15 Oil, Integrated: 3182.10.

Hourly movements

Table with 2 columns: Index Name and Value. FT-SE 100: 3718.7; FT-SE Mid 250: 4521.6; FT-SE-A 350: 1900.0.

FT-SE Actuaries 350 Industry baskets

Table with 2 columns: Basket Name and Value. Bldg & Constrn: 1238.9; Pharmaceuticals: 4781.8; Health Care: 2170.9.

FT-SE GOLD MINES INDEX

Table with 2 columns: Index Name and Value. Gold Mines Index: 2382.08 (-2.1).

FT-SE Actuaries Share Indices

Table with 2 columns: Index Name and Value. FT-SE 100: 3707.3; FT-SE Mid 250: 4504.4; FT-SE-A 350: 1893.5.

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Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. FT-SE and 'Footsie' are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under license. Auditor: The Wm Company. * Sector P/E ratios greater than 20 and cover greater than 50 are not shown. * Values are negative NAME CHANGE: MacDonald Martin 'A' now Glenmorangie 'A'.

WORLD STOCK MARKETS

EUROPE

Table of European stock market data including indices and individual stock prices for various countries like Germany, France, and the UK.

ASIA

Table of Asian stock market data including indices and individual stock prices for countries like Japan, Hong Kong, and Singapore.

AMERICA

Table of American stock market data including indices and individual stock prices for the US and Canada.

AFRICA

Table of African stock market data including indices and individual stock prices for South Africa and other regions.

ISLANDS

Table of island stock market data including indices and individual stock prices for the UK and other island territories.

Advertisement for Rockwell, featuring the text 'Rockwell, builder of the space shuttle, also makes the majority of the fax and data modems in the world' and the Rockwell logo.

INDEXES

Table of various stock indices including DAX, CAC-40, Nikkei, and others, with columns for current values and changes.

US INDICES

Table of US stock indices including Dow Jones, S&P 500, and others, with columns for current values and changes.

ASIA

Table of Asian stock market data including indices and individual stock prices for various Asian countries.

AMERICA

Table of American stock market data including indices and individual stock prices for the US and Canada.

AFRICA

Table of African stock market data including indices and individual stock prices for South Africa and other regions.

INDEX FUTURES

Table of index futures data including CAC-40, Nikkei, and others, with columns for open, high, low, and close prices.

US STOCKS

Table of US stock market data including individual stock prices and indices.

ASIA

Table of Asian stock market data including individual stock prices and indices.

AMERICA

Table of American stock market data including individual stock prices and indices.

AFRICA

Table of African stock market data including individual stock prices and indices.

Small print at the bottom of the page containing legal disclaimers and publication information.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock name, price, change, and volume. Includes sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'NASDAQ LISTED STOCKS'.

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Continued on next page

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'A-Z', and 'X-Z'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'A-Z' and 'X-Z'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

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AMERICA

Dow falls further as tech shares tumble

Wall Street

US shares fell for a fifth consecutive session yesterday as the technology sector tumbled and investors worried that the bond market could weaken sharply after an afternoon auction of 10-year notes...

comfort from the Beige Book - a summary of the economy prepared by the Federal Reserve in advance of its May 21 Open Market Committee meeting - which said price levels remained relatively steady. Meanwhile, technology shares sank amid pessimism about demand for semiconductors...

about a new pricing system announced by the company. Elsewhere, Associates First Capital, which began trading yesterday, had generated a premium of \$3 above its offering price of \$29 by midday. The financial services company, a unit of Ford Motor company, raised \$1.5bn by selling 67m shares at \$29 each.

EUROPE

Bourses weakened by Dow, rate worries

Interest rate worries, and more weakness on Wall Street, put pressure on bourses. ZURICH, which closed before the Dow's morning low, still dropped 1.4 per cent, the SMI index losing 43.5 at 3,834.1. Core blue chips were led down by Roche certificates, which fell \$F136 to \$F9,405. Other pharmaceuticals remained weak, with Ciba falling another \$F14 to \$F1,248 and Sandoz down \$F15 to \$F1,270. Goldman Sachs, however, reiterated its priority list recommendations for both companies, expecting that their merger into Novartis would go ahead by the end of the summer in spite of the EU anti-trust inquiry.

Unilever, net, fell in line with the market. KLM and the financials ING and ABN Amro underperformed: the airline shed \$F1.70 to \$F1.60 after Theodor Gillissen cut its 1996-97 earnings estimate from \$F1.65 to \$F1.62 a share, saying that the carrier faced increased competition and rising costs; ING fell \$F1.20 to \$F1.15 and ABN Amro \$F1.50 to \$F1.40. Speculators had to be quick. The engineering consultancy Heidenhain was up 70 cents, or nearly 7 per cent, at \$F1.70 to one point on rumours that one investor was building a limited stake. At the close the gain was 30 cents at \$F1.50. FRANKFURT had an uncomfortable afternoon but, in the end, the Dax index indicated a below-average decline of 20.01 to 2,456.78. Dealers said, however, that relatively low turnover, down from DM8.1bn to DM7.7bn, took any edge off this performance. There were individual winners. SGL Carbon, down DM7

FT-SE Actuaries Share Indices

Table with columns for Yearly changes, Date, and THE EUROPEAN SERIES. Rows include FT-SE Europe 100, FT-SE Europe 200, FT-SE Europe 300, FT-SE Europe 400, FT-SE Europe 500, FT-SE Europe 600, FT-SE Europe 700, FT-SE Europe 800, FT-SE Europe 900, FT-SE Europe 1000.

index eased 7.3 to 1,947.1, dragged down by the forestry sector, which lost 1.2 per cent. Ericsson picked up SKr1.5 to SKr14, while among the day's other corporate reports, Scania edged down SKr0.50 to SKr189.50 and Nordbanken picked up SKr1.5 to SKr117. HELSINKI was pulled back as Nokia A hit an intra-day low of FM172, off FMG's ahead-of-the-curve first-quarter figures today, but dealers then saw the Ericsson progress report, Nokia ended at FM170 and the Hex index down a percentage point at 1,335.28. Raision, weakened on Monday by a profits warning, climbed back to record territory on the excitement over its new margarine, Benecol, ending FM10 higher at FM174. Among early closing markets, VIENNA ended flat in spite of a disappointing first quarter at AMS, which left the chipmaker down Sch95 or 7.4 per cent at Sch1.99. The ATX index closed 0.89 higher at 1,110.98. BUDAPEST added to its string of highs with the Bux index up 67.42 or 2.4 per cent at 2,857.37, but TEL AVIV was held about a rise in the shekel and the Mishkin index slid 2.76, or 1.4 per cent, to 201.56.

Mexico hit by US weakness

Mexico City reversed an early rise, bending to pressure from the weakness on Wall Street, and the IPC index was down 7.55 at 3,160.61 in mid-session trade. ADRs of the benchmark Telmex were 4% easier at \$33 1/4 in New York, while Telmex L shares, the largest issue on the bolsa, declined 8 centavos to 12.54 pesos.

Supreme Federal Tribunal, overruling an injunction that had halted discussions on social security reform and effectively put on hold all of the government's reform plans. The Bovespa index rose 548.36 to 53,388. BUENOS AIRES continued its gentle bounce-back, ignoring US influences, and the Merval index was 3.70 higher at 564.76 by mid-session, adding to gains made on Monday and Tuesday.

plunged 203.6 to 7,938.8, pulling the overall index down 80.5 to 4,795.6. Gains, however, seen as the only safe haven for investors, spurred through 2,000 points for the first time in 17 months, adding more than 2.5 per cent as a sturdy bullion price and the weak rand benefited the shares. The golds index jumped 51.5 to 2,007.5. De Beers finished 25 cents softer at \$140, Saseel retreated \$1.45 to \$41.75 and Sappi surrendered \$2.05 to \$47.75, but Freegold climbed \$2 to a new high for this year of \$51.

S African industrials at five-month low

Johannesburg's industrial shares dropped to a five-month low. Local and overseas investors fled the market after the rand collapsed, nearing its worst-ever level on rumours that the National party might pull out of government. The industrials index

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ASIA PACIFIC

Nikkei recovers after four-session 3.3% loss

Sewing Machine, which had been actively bought over the past few trading sessions, fell Y20 to Y2,090 on profit-taking. In Osaka, the OSE average moved up 54.38 to 33,909.71 in volume of 38.7m shares. Roundup Political analysts worried after Tuesday night's predictions of a hung parliament in India, saying that a congress/left coalition could slow political reforms. After an initial fall, however, foreign institutional investors bought aggressively, and BOMBAY's 30-share index closed 54.38 or 1.5 per cent up at 3,787.25, having registered a day's low of 3,658.91. Traders said the market was extremely volatile, as the

nation awaited clear results from the general elections. However, the foreign institutions bought into a sheaf of stocks, including Reliance, which reported net profits up from Rs10.65bn to Rs13.05bn and rose Rs5 to Rs251.25 with some 6m shares traded. KARACHI seemed to be going nowhere at mid-session, as news of another bomb blast in the Punjab weighed upon sentiment. However, the successful sale of a 26 per cent strategic stake in the state-run Banker's Equity seemed to turn the mood and the KSE-100 index closed 36.78 or 2.1 per cent higher at 1,781.04 in volume up from 12.15m shares to 17.77m. MANILA climbed 1.7 per cent to an 18-month peak on

encouraging economic indicators, the composite index rising 51.78 to 3,006.05 in 12.5bn shares dealt worth 2.97bn pesos. PDI, described as oversold, rose 70 pesos or 5 per cent to 1,480 pesos after rumours that the telecoms group's first-quarter net income would be better than expected. SINGAPORE and KUALA LUMPUR subsided after overnight weakness on Wall Street, the Straits Times Industrial losing 24.33 at 2,371.83 and the KLSX composite 10.15 at 1,151.78. Investors in both markets were also concerned by Malaysian finance minister Anwar Ibrahim's statement on Tuesday that the country had registered a trade deficit in February. BANGKOK climbed 1.7 per cent to an 18-month peak on

composite index fell 10.07 to 976.77 after a 1996 intra-day high of 982.07. News that the government would allow financial companies to raise their paid-in capital by a total of Won700bn in the third quarter shook share prices in late trading, the banking and financial sub-indices falling by 1.2 and 1.3 per cent respectively. STDNRY saw profit-taking in resource stocks and weaker profits from News Corp, which left the latter 15 cents lower at A\$7.05 as the All Ordinaries index eased 9.80 to 2,398.50. HONG KONG, short of impetus, left the Hang Seng index 84.85 lower at 10,617, while SHANGHAI B3 slid 0.716 or 4 per cent to 50.88, under pressure from late liquidations by foreign investors.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Table with columns for Market, No. of stocks, Dollar terms, Local currency terms, and % Change over week. Rows include Latin America, Argentina, Brazil, Chile, Colombia, Mexico, Peru, Venezuela, Asia, China, South Korea, Philippines, Taiwan, India, Indonesia, Malaysia, Pakistan, Sri Lanka, Thailand, Euro/Mid East, Greece, Hungary, Jordan, Poland, Portugal, South Africa, Turkey, Zimbabwe, Composite.

Poland's stock market must grow faster to accommodate potential foreign demand and avoid the risk of "speculative bubbles", Mr John P. Birkelund, the head of Dillon Read, warned this week as the Wig index hit a 53-week high yesterday after climbing by 6 per cent in three days, writes Christopher Bobinski in Warsaw. "The Warsaw Stock Exchange is still too thin and too small," he said of the market, established five years ago, which currently quotes 73 stocks whose capitalisation yesterday stood at \$8.1bn. The Wig indicator has risen by 74 per cent since the end of last year. Mr Birkelund was in Warsaw for a meeting of the US Congress financed Polish American Enterprise Fund, which has \$340m worth of public and private funds invested in Poland. He praised the WSE authorities for running the most "transparent" of the markets in the former Soviet bloc countries. But he is also looking to the government and managers of 15 funds established last year under the country's Mass Privatisation Programme to speed public offers and not allow the growth of the WSE to lose momentum.

FT&S&P ACTUARIES WORLD INDICES

Table with columns for NATIONAL AND REGIONAL MARKETS, FT-SE, DOW JONES, FTSE 100, FTSE 200, FTSE 300, FTSE 400, FTSE 500, FTSE 600, FTSE 700, FTSE 800, FTSE 900, FTSE 1000, FTSE 1100, FTSE 1200, FTSE 1300, FTSE 1400, FTSE 1500, FTSE 1600, FTSE 1700, FTSE 1800, FTSE 1900, FTSE 2000.

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Opening Address: A Kazakov, Deputy Prime Minister, Chairman, State Property Committee, Russia; G de Selhens, Deputy Vice President and Director of Russia Team, EBRD

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RUSSIAN FINANCIAL MARKETS: SPECIFICS OF DEVELOPMENT S Alekseyenko, First Deputy Chairman, Central Bank of Russia PRIVATIZATION: NEW OPPORTUNITIES I Lipkin, First Deputy Chairman, Federal Property Fund, Russia

FINANCING THE STATE BUDGET: ROLE OF GOVERNMENT BONDS B Zlatskis, Head of the Securities Department, Ministry of Finance, Russia SESSION 2: RUSSIAN CAPITAL MARKET INFRASTRUCTURE AND REGULATORY ENVIRONMENT

LEGISLATION OF THE RUSSIAN STOCK MARKET ACTIVITIES: WAYS OF DEVELOPMENT R Orlovchov, Head, State Legislation Department, Presidential Administration and First Deputy Chairman, Federal Commission of Securities and Exchange, Russia

RUSSIAN STATE DUMA: REGULATING GOVERNMENT SECURITIES MARKET M Zadornov, Chairman, Budget Committee, State Duma, Russia STATE ANTIMONOPOLY REGULATION OF THE STOCK MARKET V Belov, Deputy Chairman, State Antimonopoly Committee

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